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SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE
Thirteenth session
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Items 3 and 4 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION
Thirteenth session
Lyon, 11-15 September 2000
Items 3 and 4 of the provisional agenda

IMPLEMENTATION OF ARTICLE 4.8 AND 4.9 OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3 AND 3.14 OF THE KYOTO PROTOCOL)

MATTERS RELATING TO ARTICLE 3.14 OF THE KYOTO PROTOCOL

Note by the chairmen of the subsidiary bodies

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I. INTRODUCTION

1. At their twelfth sessions, the subsidiary bodies considered item 3 (Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol)), and item 4 (Matters relating to Article 3.14 of the Kyoto Protocol) of their agendas by way of a joint contact group chaired by Mr. Bo Kjellén (Sweden), and Mr. Mohamad Reza Salamat (Islamic Republic of Iran), Vice-Chairman of the Subsidiary Body for Implementation (SBI).

2. In the course of the discussions, delegations were invited to provide inputs. Subsequently, the co-Chairs of the joint contact group presented a consolidated text based on the discussions, the submissions and the report of the workshops mandated by decision 12/CP.5 (FCCC/SB/2000/2).

3. Subsequently, two further inputs were provided, one by Australia, Canada, Japan and the United States of America, and the other by Portugal on behalf of the European Community and its member States.

4. This document has been prepared in response to a request by the subsidiary bodies at their twelfth session. It includes the consolidated text referred to in paragraph 2 above (see section II) and the submissions referred to in paragraph 3 above (see section III).

II. CONSOLIDATED TEXT
(presented by the co-chairs of the joint contact group)

Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol)

Matters relating to Article 3.14 of the Kyoto Protocol

The Conference of the Parties,

Recalling its decision 1/CP.4 entitled "The Buenos Aires Plan of Action",

Recalling also its decision 8/CP.4 on preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling also its decisions 5/CP.4 and12/CP.5 on the implementation of Article 4.8 and 4.9 of the Convention and matters relating to Article 3.14 of the Kyoto Protocol,

Recognizing the specific needs and concerns of developing country Parties referred to in Article 4.8 of the Convention, and the specific needs and special situations of the least developed countries referred to in Article 4.9,

Acknowledging the efforts already made by Parties to meet the specific needs and concerns of developing country Parties, in particular the least developed countries, with regard to adaptation,

Taking note of the report on the two workshops[1] referred to in decision 12/CP.5, which were held in Bonn from 9 to 11 March 2000, and from 13 to 15 March 2000,

Having considered the report, in two parts, of the above-mentioned workshops, regarding (a) the consideration of initial actions, including actions related to funding, insurance and the transfer of technology, needed to meet the specific needs and concerns of developing country Parties, and the specific needs and special situations of the least developed countries, arising from the adverse effects of climate change on, *inter alia*, water resources, agriculture and food security, economic activities, coastal zones and health, and (b) methodological approaches and what actions are necessary under the Convention relating to the impact of the implementation of response measures on, *inter alia*, terms of trade, international capital flows and developmental efforts, in accordance with Article 4.8 and 4.9 of the Convention, and in the light of matters related to Article 3.14 of the Kyoto Protocol, respectively,

Having considered matters relating to Article 3.14 of the Kyoto Protocol,

Acknowledging the need for removing market imperfections in accordance with Article 2.1 (a) (v) of the Kyoto Protocol,

1. *Requests* the subsidiary bodies, at their subsequent sessions, giving special attention to the situations of the least developed countries in accordance with Article 4.9 of the Convention, and reaffirming, in particular, the need for capacity-building and technical assistance, to continue the consideration of Article 4.8 and 4.9 of the Convention, and of Article 3.14 of the Kyoto Protocol;

Adverse effects of climate change

2. *Underlines* the importance of the following activities, and urges Parties included in Annex II to the Convention to provide financial and technological support for these activities to developing country Parties:

(a) Improving preliminary data and information gathering;

(b) Providing for thematic and regional workshops on issues related to adaptation, insurance, technology and financing relevant to these articles;

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[1] FCCC/SB/2000/2.

(c) Establishing and strengthening systematic observation and monitoring networks (sea level and climate monitoring stations), and providing training in specialized fields relevant to adaptation, such as geographical information systems, modelling, and integrated coastal management;

(d) Enhancing technical training for vulnerability assessments, climate change impact assessment across all sectors, and environmental management;

(e) Establishing or strengthening regional centres for the provision of research, training, education and technical support;

(f) Establishing or strengthening early warning systems for extreme weather events in an integrated and interdisciplinary manner to suit the requirements of particularly vulnerable countries;

(g) Establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, and can be integrated into national policy and sustainable development planning, on the basis of the staged approach endorsed by the Conference of the Parties in its decision 11/CP.1, entitled "Initial guidance on policies, programme properties and eligibility criteria to the operating entity or entities of the financial mechanism";

(h) The provision of support by the Global Environment Facility for enabling activities for vulnerability and adaptation assessment, and for disaster preparedness;

(i) Enhancing institutional capacity to integrate adaptation into sustainable development programmes;

(j) Establishing a disaster fund for climate-induced disaster relief for vulnerable developing countries;

(k) Implementing adaptation activities immediately where sufficient information is available to warrant such activities, particularly in the areas of water resources, agriculture and integrated coastal zone management;

(l) Integrating climate change considerations into land use, including crop production and livestock management;

(m) Promoting methodologies to distinguish climate change impacts from other impacts, and further research to link historical information with climate change and climate variability;

(n) Developing joint work with other conventions such as the Convention to Combat Desertification on areas of common interest, and addressing linkages to related decisions of the Conference of the Parties on capacity-building;

3. *Requests* the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to assess, at their [xx] sessions, the progress of the above-mentioned activities and to make recommendations thereon to the Conference of the Parties at its [xx] session;

4. *Encourages* Parties not included in Annex I to the Convention to provide detailed information, in their national communications, on their specific needs and concerns arising from the adverse effects of climate change;

5. *Encourages* Parties included in Annex II to the Convention to provide detailed information, in their national communications, on their existing and planned support programmes to meet the specific needs and circumstances of developing country Parties arising from the adverse effects of climate change;

6. *Encourages* Parties to support and participate in ongoing efforts to develop a vulnerability index for those countries that are vulnerable to the adverse effects of climate change;

7. *Requests* the secretariat to organize a workshop [*when?*] on insurance-related actions to address the specific needs and concerns of developing countries arising from the adverse effects of climate change;

8. *Requests* the secretariat to organize a workshop [*when?*] on actions needed to address the specific needs and special situations of the least developed countries;

Impact of the implementation of response measures

9. *Encourages* Parties not included in Annex I to the Convention to provide detailed information, in their national communications, on their specific needs and concerns arising from the implementation of response measures;

10. *Encourages* Parties included in Annex II to the Convention to provide detailed information, in their national communications, on their existing and planned support programmes to meet the specific needs and circumstances of developing country Parties arising from the impact of the implementation of response measures;

11. *Calls upon* Parties included in Annex II to the Convention to strengthen the capacity of developing countries identified in Article 4.8 and 4.9 of the Convention for efficiency in the production, distribution and use of fossil fuels, *through the provision of financial and* technological support;

12. *Urges* Parties included in Annex II to the Convention to support the development and use of natural gas in developing countries;

13. *Invites* Parties included in Annex II to the Convention to support research into, and the development and use of, renewable energy, including solar and wind energy, in developing countries;

14. *Requests* the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to consider, at their [xx] sessions, the response by Annex II Parties to the actions listed in paragraphs 11, 12, and 13 above;

15. *Encourages* Parties to promote methodological work to close the information gaps and build a better understanding of the impact of response measures on developing countries, particularly the least developed countries;

16. *Requests* the secretariat to organize a workshop [*when?*] on insurance-related actions to address the specific needs and concerns of developing countries arising from the impact of the implementation of response measures;

17. *Requests* the secretariat to organize a workshop [*when?*] on the status of modelling activities to assess the impact of implemented response measures on individual developing countries, as well as the effectiveness of action taken by non-Annex I Parties and their development partners to promote diversification. The workshop will also suggest processes for developing these methodologies, including how to ensure the participation of developing country experts in such efforts, and to support efforts to disaggregate these models at the regional and national levels, particularly in relation to aspects associated with livelihood security in poor communities, especially in the least developed countries;

Article 3.14 of the Kyoto Protocol

18. *Decides* to establish a process to address matters related to Article 3.14 of the Kyoto Protocol, including information exchange and the development of methodologies related to efforts to minimize adverse social, environmental and economic impacts on developing country Parties, particularly those identified in Article 4.8 and 4.9 of the Convention, including those related to the establishment of funding, insurance and transfer of technology;

19. *Invites* the Intergovernmental Panel on Climate Change to prepare a [special report/technical paper] on carbon sequestration technologies, covering current and future options and possibilities, for consideration by the subsidiary bodies at their [xx] sessions;

20. *Underlines* the potential role of sinks in minimizing the adverse impacts on developing country Parties under *Article 3.14 of the Kyoto Protocol*;

21. *Underlines also* the potential role of the Kyoto Protocol mechanisms in minimizing the adverse impacts on developing country Parties under Article 3.14 of the Kyoto Protocol;

22. *Invites* Parties included in Annex I to the Convention to provide information to the Conference of the Parties, through the secretariat, on existing market imperfections, fiscal incentives, tax and duty incentives and subsidies in their energy sector, including those related to fossil fuels, new and renewable energy sources and nuclear energy, and on their plans to reduce or phase out such measures, by [*date*];

23. *Invites* Parties not included in Annex I to the Convention to provide information on their specific needs and concerns related to the minimization of adverse social, environmental and economic impacts on developing country Parties under Article 3.14 of the Kyoto Protocol, by [*date*];

24. *Requests* the secretariat to organize a workshop [*when?*] on methodological issues related to the possible adverse impacts of response measures on developing country Parties under Article 3.14 of the Kyoto Protocol;

25. *Requests* the secretariat to organize a workshop [*when?*] on the exchange of information on whether and how policies and measures that Annex I Parties will be adopting to meet their commitments under the Kyoto Protocol may adversely impact developing countries under Article 3.14;

26. *Requests* the secretariat to organize a workshop [*when?*] on the needs and options of Parties not included in Annex I of the Convention, for economic diversification, and on the assessment of the effectiveness of actions taken by non-Annex I Parties and their development partners to promote diversification;

27. *Requests* the Subsidiary Body for Technological and Scientific Advice and the Subsidiary Body for Implementation, at their [xx] sessions, to consider the output of the workshops referred to in this decision, and to make recommendations thereon to the Conference of the Parties at its [xx] session;

28. *Decides*, on the basis of the output of the workshops referred to in this decision, to consider the various modalities related to funding, such as compensation and insurance, for proven adverse impacts of response measures on developing country Parties;

29. *Invites* Parties included in Annex I to the Convention to consider:

(a) Restructuring their tax systems to reflect the greenhouse gas content in all greenhouse gas emitting sectors, and removing subsidies;

(b) Discouraging the production of fossil fuels in Annex I Parties;

(c) Discouraging the use of nuclear energy by reflecting its huge externalities;

(d) Removing the existing barriers (political and regulatory) to the use of oil in the electricity sector;

(e) Encouraging a wider use of carbon dioxide sequestration technologies;

(f) Assisting developing countries which are highly dependent on the exportation of fossil fuels in diversifying their economies;

(g) Providing compensation to proved impacted developing countries;

30. *Invites* oil producing and exporting Parties not included in Annex I to the Convention to consider setting up investment funds to promote economic diversification, and to undertake joint action aimed at minimizing any potential impacts of response measures on their economies.

III. OTHER INPUTS

A. Proposed text for a draft decision, by Australia, Canada, Japan and the United States of America

Implementation of Article 4.8 and 4.9 of the Convention (covering also Articles 2.3 and 3.14 of the Kyoto Protocol)

The Conference of the Parties,

Reaffirming its commitment to achieving the ultimate objective of the Convention, as defined in Article 2 of the Convention,

Recalling paragraph 1 (c) of decision 1/CP.4, entitled the Buenos Aires Plan of Action on the implementation of Article 4.8 and 4.9 of the Convention (covering also Articles 2.3 and 3.14 of the Kyoto Protocol),

Recalling also its decisions 5/CP.4 entitled "Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol)", and 12/CP.5 entitled "Implementation of Article 4, paragraphs 8 and 9, of the Convention and matters relating to Article 3, paragraph 14, of the Kyoto Protocol",

Recalling also its decision 8/CP.4, referring to decision 5/CP.4, on preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recognizing the specific needs and concerns of developing country Parties referred to in Article 4.8 of the Convention, and the specific needs and special situations of the least developed countries referred to in Article 4.9,

Acknowledging the efforts already made by Parties to meet the specific needs and concerns of developing country Parties, in particular least developed countries, with regard to adaptation,

Taking note of the report of the workshops referred to in decision 12/CP.5, which were held in Bonn from 9 to 11 March 2000, and from 13 to 15 March 2000,

Having considered the report of the above-mentioned workshops, regarding (a) the consideration of initial actions, including actions related to capacity-building, funding, insurance and the transfer of technology, needed to meet the specific needs and concerns of developing country Parties, and the specific needs and special situations of the least developed countries, arising from the adverse effects of climate change on, *inter alia*, water resources, agriculture and food security, economic activities, coastal zones and health, and (b) methodological approaches and what actions are necessary under the Convention relating to the impact of the implementation of response measures on, *inter alia*, terms of trade, international capital flows and development efforts,

Noting with concern the many persistent uncertainties highlighted by those workshops, particularly in regard to the impact of response measures,

Acknowledging that the impacts of response measures will differ significantly from country to country, depending on their unique national circumstances, including the structure of their economies, trade and investment flows, natural resource endowments, social systems, legal regimes, and population growth rates,

Having considered matters relating to Article 3.14 of the Kyoto Protocol,

Reaffirming the environmental benefits of protecting and enhancing sinks and reservoirs of greenhouse gases, in accordance with Article 2.1 (a) (ii) of the Kyoto Protocol,

Acknowledging the need for the progressive reduction or phasing out of market imperfections, as well as the application of market mechanisms, in accordance with Article 2.1 (a) (v) of the Kyoto Protocol,

Recognizing the key role that cost-effective, transparent and uncapped flexibility mechanisms of the Kyoto Protocol could have in minimizing the impacts of response measures on non-Annex I Parties,

1. *Requests* the subsidiary bodies, at their [xx] sessions, giving special attention to the situations of least developed countries in accordance with Article 4.9 of the Convention, and

reaffirming, in particular, the need for capacity-building and technical assistance, to continue the joint consideration of Article 4.8 and 4.9 of the Convention, and, as an input to the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, of issues related to Article 3.14 of the Kyoto Protocol;

Adverse effects of climate change

2. *Insists* that action related to adaptation follow a rigorous assessment and evaluation process, based on national communications, so as to avoid maladaptation and to ensure that adaptation actions are environmentally sound and will produce real benefits in support of sustainable development;

3. *Encourages* Parties not included in Annex I to the Convention to provide detailed information, in their national communications, on their specific needs and concerns arising from the adverse effects of climate change;

4. *Asserts* the importance of a country-driven approach that allows developing countries to pursue the specific activities most appropriate to their unique national circumstances;

5. *Encourages* Parties included in Annex II to the Convention to provide information, in their national communications, on their existing and planned support programmes to meet the specific needs and circumstances of developing country Parties arising from the adverse effects of climate change;

6. *Underlines* the importance of integrating the ongoing work of the secretariat in compiling and disseminating information on methods and tools to evaluate impacts and adaptation strategies as related to decision 3/CP.3;

7. Recognizing the importance of prioritizing immediate adaptation needs in the context of longer-term objectives, *encourages* Parties listed in Annex II to the Convention, in cooperation as appropriate with international organizations, to provide financial and technological support for the specific activities elaborated by developing countries, such as those listed below, as appropriate to their national circumstances:

(a) Improving preliminary data and information gathering;

(b) Providing for thematic and regional workshops on technical issues related to these articles;

(c) Strengthening systematic observation and monitoring networks (e.g. sea level and climate monitoring stations);

(d) Enhancing technical training for vulnerability assessments and climate change impact assessment;

(e) Strengthening regional centres for the provision of research, training, education and technical support;

(f) Considering ways in which early warning systems for extreme weather events might be strengthened or established in an integrated and interdisciplinary manner to help address the climate-change related requirements of particularly vulnerable countries;

(g) Establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, and integrated into national policy and sustainable development planning, on the basis of information provided in the national communications from non-Annex I Parties;

(h) The provision of support, such as by the Global Environment Facility, for enabling activities for vulnerability and adaptation assessment;

(i) Enhancing capacity to integrate adaptation into sustainable development programmes;

(j) Integrating climate change considerations into sustainable development planning, including those related to land use, crop production and livestock management;

(k) Promoting methodologies to distinguish climate change impacts from other impacts, and further research to link historical information with climate change and climate variability.

8. *Requests* the secretariat to organize a workshop before the seventh session of the Conference of the Parties on technical issues related to the development of a vulnerability index for those countries that are vulnerable to the adverse effects of climate change and on actions to address the specific needs and special situations of least developed countries;

9. *Requests* the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to consider, at their [xx] sessions, the progress of the above-mentioned activities and to make recommendations thereon to the Conference of the Parties at its [xx] session;

Impact of response measures

10. *Stresses* that no Party should take any action that it deems to be contrary to the ultimate objective of the Convention;

11. *Affirms* that the actions considered under Article 3.14 to address impacts of response measures must be conditioned upon the actions taken by both developed and developing countries pursuant to Articles 4.8 and 4.9;

12. *Reiterates* decision 12/CP.5, that the identification of initial actions needs "to be based on sufficient information and analysis within a clearly-defined process";

13. *Decides* that this information should be provided and analysis conducted within the following clearly-defined process:

(a) First, methodologies for assessing, and case studies describing, the impact of response measures since the Convention entered into force must be developed:

(i) Consistent with Article 4.8 of the Convention, these methodologies should provide for the separation of the impact of other unrelated policies and measures from those of policies and measures undertaken specifically to address climate change;

(ii) Where policies and measures are undertaken for multiple reasons, those methodologies should recommend means to determine what proportion of the policies and measures were undertaken for climate change mitigation purposes;

(iii) These methodologies should also disaggregate the effect of climate change policies and measures from those of other factors, such as technology development, macroeconomic variability, cultural or consumer changes, structural economic shifts, and exogenous changes in other markets, such as those for fuels;

(iv) The counterfactual scenario underlying any assessment of the impacts of response measures should include any actions which developing countries could have taken to minimize the impact of response measures, focusing particularly on the time period since the Convention entered into force. The counterfactual scenario should include, inter alia, any trade or investment liberalization, structural adjustment or balance of payments stabilization plans agreed to with international financial institutions;

(v) These methodologies should also provide the means to assess the uncertainty surrounding the impacts of specific climate change response measures on specific countries;

(b) Using these methodologies, developing countries which believe that they have been harmed by the impacts of response measures should demonstrate via a formal reporting process, as a prerequisite to any further discussion of the impacts of response measures, the

actions that they have taken under Article 4.8 to reduce their vulnerability to response measures. These communications should describe:

(i) The circumstances and the legal, economic, and social structures that determine the country's vulnerability to response measures;

(ii) The specific climate policies and measures that have impacted on them, the extent of the impact, and the uncertainty surrounding the quantification of that impact. This information should be disaggregated from the effect of other policies and measures and other factors, such as technology development, macroeconomic variability, cultural or consumer changes, structural economic shifts, and exogenous changes in other markets, such as those for fuels;

(iii) An assessment of all other actions, including the promotion of self-diversification of economies and creation of an enabling environment for investment, that they have taken to minimize the impacts of response measures on themselves;

(iv) A description of gross and net revenue flows, showing net profits, and an indication of how these revenues were spent or saved to promote diversification of economies or otherwise minimize the impact of response measures;

(c) When the methodologies for post facto assessment of the impact of response measures have been fully refined, the development of methodologies for assessing possible effects of alternative future response measures can begin. These methodologies should elaborate the means for assessing, *inter alia*:

(i) Impacts under a variety of assumptions regarding technology development and transfer;

(ii) Impacts under a variety of investment, trade and legal regimes;

(iii) Impacts under a variety of policy scenarios. These scenarios should incorporate different mixes of policies and measures that developing countries might take to minimize the impact of response measures on them. These scenarios should also incorporate different mixes of climate policies and measures that Annex I Parties might take;

(iv) The effect of policies and measures undertaken for climate change mitigation purposes disaggregated from those undertaken for other reasons;

14. Requests the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to consider, at their [xx] sessions, the progress of the above-mentioned activities and to make recommendations thereon to the Conference of the Parties at its [xx] session.

B. Contribution by Portugal on behalf of the European Community and its member States

Article 4.8 and 4.9 of the Convention (decision 3/CP. 3, and Article 2.3 and 3.14 of the Kyoto Protocol)

Matters relating to Article 3.14 of the Kyoto Protocol

The European Community notes that many comments raised by its delegates are already reflected in documents that have been presented to the contact group held at the twelfth sessions of the subsidiary bodies.

Recognizing the specific needs and concerns of developing country Parties, and in particular the specific needs and special situations of the least developed countries relating to these issues, we would like to emphasize the following additional elements for consideration in a text to be formulated as a basis for future negotiation.

Adverse effects of climate change

We recognize the further concerns raised during the discussions on this issue at the twelfth sessions of the subsidiary bodies, including concerns relating to recent instances of extreme weather events in developing countries, especially in least developed countries.

We welcome the proposals put forward by many Parties for actions relating to the adverse effects of climate change, including those relating to the development of early warning systems to enhance preparedness for extreme weather events.

Actions relating to the adverse effects of climate change should be based on a rigorous assessment and evaluation process, providing a framework for decision-making that can avoid maladaptation and ensure that adaptation actions are environmentally sound and produce real benefits in support of sustainable development.

This framework should include the following steps:

(a) Understanding, identification and evaluation of the impacts of climate change (e.g. through systematic observation and monitoring; data and information gathering, and research);

(b) Assessment of the vulnerability to impacts of climate change, *inter alia*, on national or regional social, economic and environmental conditions;

(c) Identification and evaluation of options for adapting to adverse effects of climate change, with the aim of developing effective national adaptation strategies;

(d) Integrating these strategies into national development strategies.

Actions relating to the adverse effects of climate change should reflect the framework for decision-making provided by these steps, and should address, *inter alia*, the need to enhance the capacity of developing countries to carry out the necessary assessment and evaluation, including vulnerability assessment. Actions in these areas should give special attention to the needs and concerns of the least developed countries. We note that many of the proposals for actions put forward by Parties fit well within the above framework.

Developing countries should be encouraged to provide detailed information – including in their national comunications - on their specific needs and concerns arising from the adverse effects of climate change reflecting the different steps of the above-mentioned framework.

In considering actions relating to the adverse effects of climate change, opportunities presented by the synergies between adaptation to climate change and other environmental problems, in particular those covered by other global environmental conventions, should be explored.

Given these links and those with broader development issues, Parties should be encouraged to give consideration to actions to ensure that adaptation measures can be integrated into national policies and programmes, such as national strategies for sustainable development and other strategic development programmes.

Many bilateral and multilateral agencies are already supporting activities related to adaptation. Decisions and planning for development programmes are formulated through dialogues between donors and their development partners. Developing country partners are therefore encouraged to raise in these dialogues issues relating to adaptation where they see this as a priority in the context of their sustainable development strategies.

Impacts of the implementation of response measures

The European Community stresses that no Party should take any actions that are contrary to the ultimate objective of the Convention.

Reflecting decision 12/CP.5, consideration of concerns arising from the impacts of the implementation of response measures must be based on sufficient information and analysis within a clearly defined process.

Discussions at the workshop on the impact of the implementation of response measures, held in Bonn in March 2000, highlighted continuing gaps in information on such impacts.

The initial step in considering the impacts of response measures must be to develop a clear understanding of the nature and scope of these impacts. This is essential as a basis to address further the concerns arising from the implementation of response measures.

An assessment of the impacts of response measures must take fully into account, *inter alia*, the potential for future technological evolution; the nature of behaviour in global commodities markets, including for fossil fuels; changing patterns of global reserves of fossil fuels, and changes in fossil-fuel output and price levels. Furthermore, any assessment must be country-specific, and based on measures actually implemented by Parties included in Annex I to the Convention.

Developing country Parties that believe they have been affected by the impacts of the implementation of response measures should report on these impacts through their national communications. As noted by the co-Chair of the contact group on Article 4.8 and 4.9, funding is already available through the Global Environment Facility for reporting through national communications, including on issues relating to Article 4.8 and 4.9.

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IMPLEMENTATION OF ARTICLE 4.8 AND 4.9 OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3 AND 3.14 OF THE KYOTO PROTOCOL)

MATTERS RELATING TO ARTICLE 3.14 OF THE KYOTO PROTOCOL

Note by the chairmen of the subsidiary bodies

Corrigendum

Section II. **"CONSOLIDATED TEXT"**

The title **CONSOLIDATED TEXT** should read **CONSOLIDATED TEXT***

Insert footnote* reading

Prepared without prejudice to whether there would be one or two draft decisions to cover the two agenda items.

Sub-heading **"Article 3.14 of the Kyoto Protocol"**

For the existing paragraph numbers 18. to 30. substitute 1. to 13.

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SUBSIDIARY BODY FOR IMPLEMENTATION
Thirteenth session
Lyon, 11-15 September 2000
Item 6 of the provisional agenda

ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE

Fourth synthesis report and draft revised uniform reporting format

Note by the secretariat

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Figure 2. Number and regional distribution of AIJ project activities, 1997-2000 7

Figure 3. Regional distribution of AIJ project activities by type, 2000 8

Figure 4. Number of AIJ project activities and quantity of greenhouse gases reduced or sequestered by type, 2000 8

II. Draft revised uniform reporting format for activities implemented jointly under the pilot phase[1]

[1] Annex II to this document is contained in an addendum, document FCCC/SB/2000/6/Add.1.

I. INTRODUCTION

A. Mandate

1. At its first session, the Conference of the Parties (COP) decided to consider annually a synthesis report on the pilot phase of activities implemented jointly (AIJ) to be prepared by the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA), with the assistance of the secretariat (decision 5/CP.1). At its fifth session, the Conference of the Parties, taking note of the results of the comprehensive review of the pilot phase undertaken by the subsidiary bodies, decided to continue the AIJ pilot phase as established by decision 5/CP.1 (decision 13/CP.5). It encouraged Parties to report on AIJ project activities using the uniform reporting format (URF) by 30 June 2000.

2. By the same decision, the COP invited Parties to submit proposals for the improvement of the draft revised URF contained in document FCCC/SB/1999/5/Add.1 by 31 March 2000. It also requested the secretariat to prepare a further draft revision of the URF and a set of guidelines for its use, for consideration by the SBSTA and the SBI at their thirteenth sessions.

B. Scope of the note

3. This document contains the fourth synthesis report on activities implemented jointly under the pilot phase and, in its annexes, the graphs referred to in the text and the draft revised URF.[2] It provides a synthesis of the most recent information available for AIJ project activities, including 88 reports with updates or new projects, received within the deadline of 30 June 2000 and reported in accordance with the reporting framework for the AIJ pilot phase.[3] Annex 2 takes into account suggestions by six Parties on the draft revised URF contained in document FCCC/SB/1999/5/Add.1. A short explanatory note and a table indicating the suggested changes in structure and content precede the draft revised URF.

C. Possible action by the subsidiary bodies

4. At the thirteenth sessions of the subsidiary bodies, Parties may wish to:

(a) Take note of the fourth synthesis report;

(b) Recommend to the COP the consideration, and possibly the adoption, of the revised URF.

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[2] Annex II to this document is contained in document FCCC/SB/2000/6/Add.1.

[3] Only two AIJ project activities between the same host and investor Parties are reported on separately. The remaining activities are reported jointly as accepted, approved or endorsed by the relevant designated national authorities including proof, under official letterhead, of concurrence, approval, acceptance or endorsement of the information by all other Parties involved.

II. FINDINGS

5. **The number of AIJ project activities and Parties involved in AIJ** continued to increase from the year 1999 to the year 2000. By 30 June 2000, information was available on a total of 140 AIJ project activities.[4] This meant that there were 18 new AIJ project activities, representing a 15 per cent increase over 1999. Of these 18 additional projects, 14 were hosted by non-Annex I Parties and four by Parties with economies in transition (EIT). All in all, about a quarter of the Parties to the Convention are now engaged in the AIJ pilot phase. Of the 48 (44)[5] Parties involved, 37 (33) Parties are hosting and 11 (11) are investing in AIJ project activities. Amongst hosts, the number of non-Annex I Parties has increased to 26 (22) Parties or 70 per cent of the total (see annex I, figure 1).

6. With the recent increase in AIJ, **the distribution of projects between Annex I and non-Annex I host Parties** is gradually changing in favour of the latter, although EITs still account for more projects. Whereas in 1997, Parties with economies in transition hosted 70 per cent of AIJ projects, their share has now decreased to 59 (65) per cent (see annex I figure 2). Conversely, the share of AIJ project activities in non-Annex I Parties now slightly exceeds the 40 per cent margin. The **distribution amongst the three regional groups within non-Annex I Parties** has hardly changed. The Latin America and the Caribbean region (LAC) still hosts two thirds of all AIJ project activities in non-Annex I Parties, while the Asia and Pacific region as well as Africa account for 25 (21) and 11 (12) per cent, respectively. Within the LAC region, Costa Rica leads with nine (eight) projects, Mexico and Bolivia have five and Honduras four activities each. Chile hosts three, and Argentina, Belize, Ecuador and Guatemala two projects each. El Salvador, Nicaragua and Panama have one project each. In the Asia and Pacific region, there has been an increase from nine to 14 projects within one year, involving Bhutan, China, Fiji, India, Indonesia, Solomon Islands, Sri Lanka, Thailand and Viet Nam. In the African region, South Africa hosts two (one) projects, and Burkina Faso, Mauritania, Mauritius and Morocco have one each. Of the AIJ projects carried out in Annex I Parties, more than half continue to be concentrated in two EIT countries, 24 in Latvia and 21 in Estonia.[6]

7. Regarding the **types of AIJ project activities,** the 18 newly reported projects in the year 2000 are, with one exception, in the area of energy or related to the capturing of fugitive gas. The distribution by type[7] is therefore now as follows: 58 (49) in energy efficiency; 49 (46) in renewable energy; seven (four) in fugitive gas capture; nine (seven) in fuel switching; two (two) in agriculture; two (two) in afforestation; and 13 (12) in forest preservation or restoration or in reforestation. In spite of the recent addition of 13 non-forestry projects in non-Annex I host

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[4] The detailed list of projects with links to the respective reports is available on the UNFCCC CC:INFO/AIJ web site (http://www.unfccc.de/program/aij/aijproj.html).

[5] Unless otherwise indicated, figures in parentheses refer to 1999 values contained in the third synthesis report (FCCC/SB/1999/5 and Corr.1 and Add.1).

[6] In analysing the distribution of projects by type of activity and their impact on greenhouse gas (GHG) emissions, it should be borne in mind that a significant number (54) of small activities of a similar type are being carried out in three host Parties. These projects are in the areas of energy efficiency (mainly improvement of municipal/district heating systems) and renewable energy (conversion to bio-fuel boilers). These projects are small in terms of investment as well as in their GHG impact, and other projects have clustered such activities and reported them in an aggregated manner as one project.

[7] It should be noted that, due to their scope, some projects could be classified in several categories.

Parties, the **geographic distribution by type of activity** has not changed significantly: forestry projects are mainly being implemented in non-Annex I and energy-related activities in Annex I host Parties (see annex I, figure 3).

8. Another interesting indicator is **the variety of experience gained by host Parties**. One EIT country is gathering experience with five different types of activities, three hosts in the LAC region have four different project types each, while two EIT countries and one LAC country gain experience with three different project types. Thirteen hosts are involved in two project types each. The remaining 17 hosts have just one type of activity.

9. If the type of activity is related to the share of estimated **greenhouse gas (GHG) emissions reduced or sequestered** (in CO_2 equivalent), a marked change can be noted. Due to the addition of fugitive gas projects, the share of energy-related projects in terms of estimated GHG impact increased to 61 (35) per cent of the 127 (108) AIJ project activities for which information is available.[8] This means that the share of forest-related projects decreased from 65 per cent in 1999 to 38 per cent in 2000. The detailed sectoral distribution is contained in annex I, figure 4.

10. Regarding the **real, measurable and long-term environmental benefits related to climate change that would not have occurred in the absence of the AIJ project activity,** experience is accruing and the level of reporting improving. For the first time, differences in defining the baseline for a project have emerged. In one case, the difference resulted from a variance in the definition of the GHG emitting source and, in the other case, from assumptions made on activity data and default values. Also for the first time, two options were reported regarding the projected GHG emissions of an AIJ project activity: the use of a methodology of the Intergovernmental Panel on Climate Change resulted in a substantially lower value than the use of a "project-specific" approach (17,000 tons as compared to 42,000 tons annually). Due to the fact that most projects are at an early stage of implementation, the currently reported **actual emission reductions** are very small, approximately one per cent of the total estimated GHG reductions or removals expected from the AIJ projects under way.

11. In general, there is a marked improvement in the homogeneity, scope, detail and structure of **reporting.** With a few exceptions, new AIJ project activity reports used the URF adopted by the SBSTA at its fifth session.[9] Reports continued to vary, however, in terms of their structure, completeness and coverage.

12. Regarding **financing,** it was reported that one investor Party has agreed that the repayment of its loan, granted at a preferential rate, can be transferred into a revolving fund of the host Party which serves to finance further national GHG mitigation projects.

13. Regarding **national AIJ programmes**, no additional Parties submitted information. Some Parties provided updates on activities contained in earlier reports. Detailed information on some of these programme reports is available in electronic format on the UNFCCC web site.[10]

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[8] One afforestation, eight energy efficiency, three fuel switching and one fugitive gas capture project did not provide data.

[9] FCCC/SBSTA/1997/4.

[10] http://www.unfccc.de/program/aij.

14. Concerning **financial additionality**, **capacity-building** and **knowledge on AIJ,** the findings are similar to those of previous synthesis reports. The earlier conclusion is confirmed that host Parties which set up an AIJ unit appear to be more successful in attracting financial resources and in ensuring their utilization in priority areas of national development. The increasing number of AIJ project activities and, even more so, of Parties involved in AIJ is providing ever greater opportunities for "learning-by-doing". This results in an enhanced understanding of, *inter alia,* the complexities in setting baselines, the management of AIJ project activities and national institutional processes. Parties may wish to consider how such "learning-by-doing" can be further developed and how Parties can best share experience.

15. For the following sections, no new information was provided and the findings contained in the third synthesis report remain valid: cost information, to the extent possible (A.4); mutually agreed assessment procedures (A.5); compatibility with, and supportiveness of, national economic development and socio-economic and environment priorities and strategies (C); benefits derived from the AIJ project (D); capacity-building, transfer of environmentally sound technology and know-how (G); and additional comments (H).

16. In conclusion, the review of 140 AIJ project activities suggests that a significant body of technical, operational and institutional capacity has been built in non-Annex I and Annex I Parties, among hosts and investors, during the AIJ pilot phase.

Annex I

Figure 1. Number and regional distribution of AIJ host Parties, 1997-2000

Figure 2. Number and regional distribution of AIJ project activities, 1997-2000

Figure 3. Regional distribution of AIJ project activities by type, 2000
(as a percentage of the total number of projects)

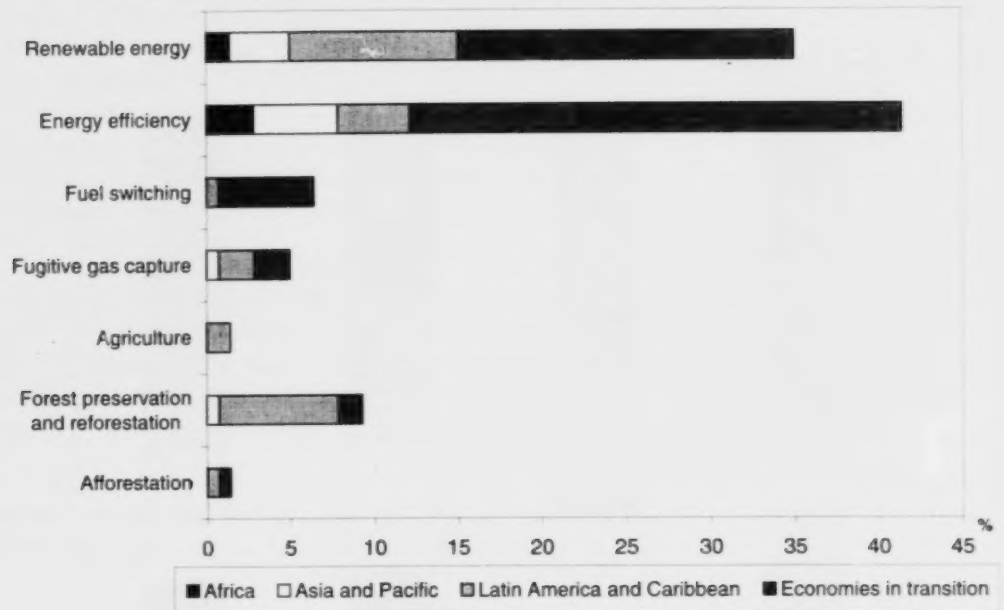
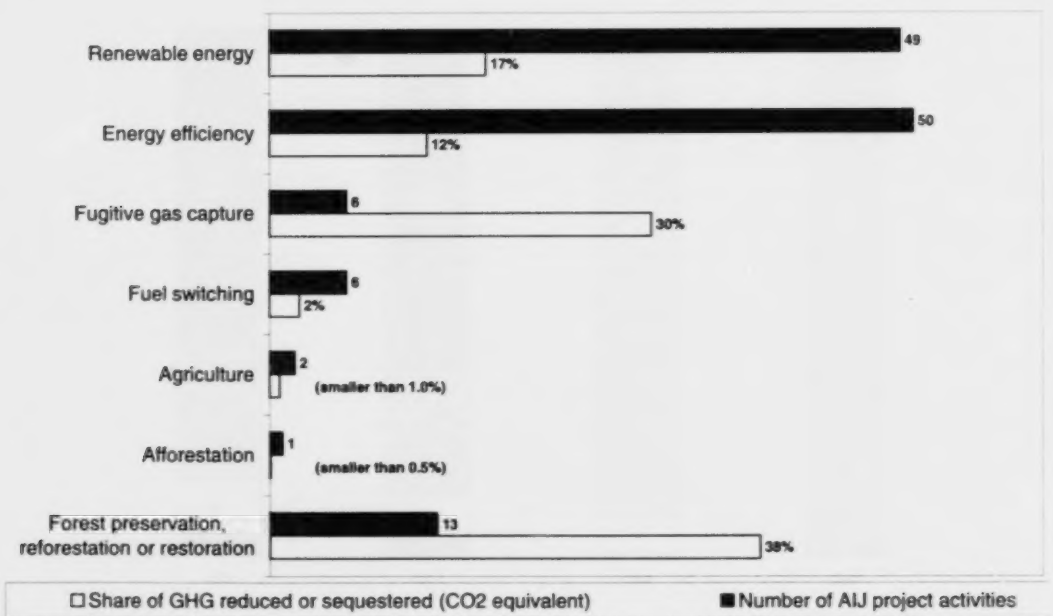


Figure 4. Number of AIJ project activities and GHG reduced or sequestered by type, 2000
(as a percentage of the total number of projects)



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Item 6 of the provisional agenda

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ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE

Fourth synthesis report and draft revised uniform reporting format

Note by the secretariat

Addendum

ANNEX II: DRAFT REVISED UNIFORM REPORTING FORMAT FOR ACTIVITIES IMPLEMENTED JOINTLY

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1. Participants' contact information
2. Project type descriptors
3. 1995 IPCC global warming potential (GWP) values based on the effects of greenhouse gases over a 100-year time horizon
4. Decision X/CP.[6] (decision adopting the revised URF and requesting Parties to use this format)
5. Decision 5/CP.1

ANNEX II

DRAFT REVISED UNIFORM REPORTING FORMAT FOR ACTIVITIES IMPLEMENTED JOINTLY

I. INTRODUCTION

A. Mandate

1. The Conference of the Parties (COP) at its third session, by its decision 10/CP.3, [1] adopted the uniform reporting format (URF) contained in the report of the Subsidiary Body for Scientific and Technological Advice (SBSTA) on its fifth session.[2] It invited Parties to report in accordance with that format and to provide inputs to the secretariat on their experience in using it, so that, if necessary, changes could be incorporated.

2. At the eleventh sessions of the subsidiary bodies, a draft URF was considered (FCCC/SB/1999/5/Add.1). By its decision 13/CP.5, the COP invited Parties to submit further views by 31 March 2000 and requested the secretariat to prepare a further draft revision of the uniform reporting format and a set of guidelines for its use. The draft revised URF for activities implemented jointly under the pilot phase, including draft guidance on how to complete the URF, has been prepared based on six submissions.

B. Scope

3. In preparing the draft revision of the URF, consideration was given to the following issues:

(a) In order to encourage a better flow of data and to improve the user-friendliness of the reporting format, some structural changes have been made to the URF. These were kept at a minimum in order to avoid an additional reporting burden for ongoing activities and, hence, increased costs to Parties involved. The table "Overview of suggested revisions" below indicates where changes in the structure occur (first two columns) and provides comments on the nature of changes with regard to the URF contained in the report of the SBSTA on its fifth session;

(b) In order to facilitate the use of the URF, guidance has been added in boxes at the beginning of each section. A provision has been made for reporting data on activity levels and emission factors.

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[1] For the full texts of decisions adopted by the Conference of the Parties at its first, third and fourth sessions, see documents FCCC/CP/1995/7/Add.1, FCCC/CP/1997/7/Add.1 and FCCC/CP/1998/16/Add.1, respectively.

[2] FCCC/SBSTA/1997/4.

C. Possible action by the subsidiary bodies

4. At the thirteenth sessions of the subsidiary bodies, Parties may wish to:

(a) Consider the annexed draft revised URF and the draft guidance with a view to recommending their adoption by the Conference of the Parties at its sixth session;

(b) Consider requesting all designated national authorities (DNA) involved in an activity implemented jointly to submit reports, using the adopted URF, jointly and simultaneously, so as to avoid the need for repeated queries and checks by the secretariat;

(c) Provide guidance on the relationship between the URF and other areas of work such as guidelines for inventories; the methodological work on land-use, land-use change and forestry; and work by the Intergovernmental Panel on Climate Change (IPCC) on good practices.

Overview of suggested revisions

URF section	Revised URF section	Comments
A.1	B.1	No substantive change
A.2	B.2	A brief description of the role of the participating organizations is to be provided. Detailed contact information is to be provided in an annex using the specified format and a descriptor system.
A.3	B.3	Rows have been converted to subsections. A project categorization system has been added in annex 2. New stages of a project have been defined. The reporting on starting date, ending date and lifetime has been revised.
	B.4	A new section has been introduced to provide brief information on the baseline methodology and the project boundary, both explained in more detail in section E.
A.4	E.7	This section has been revised to provide for reporting on different cost items including transaction costs. Some definitions have been suggested.
A.5	E.6	This section has been modified.
B	A	This section has been revised to reflect that only joint reporting should be allowed. Instructions for the electronic submission of documents have been added.
C	C	No change.
D and H.3	D	These two sections have been merged and the table has been converted into subsections.

Overview of suggested revisions *(continued)*

URF section	Revised URF section	Comments
E	E	This section has been substantially revised in the light of experience with, *inter alia*, the quality of information received through reporting using the current URF and methodological work. Guidance on how to complete the URF has been added.
E.1	E.1	Subsections were added in order to structure information or request additional information not consistently reported currently.
- - -	E.2	This new subsection was added to allow reporting on dynamic baselines (i.e. baselines providing for revisions in time).
E.2	E.3 and E.4	Subsection E.2 was split into two subsections. Subsection E.3 allows reporting on the project scenario, e.g. the projection for the activity. Subsection E.4 provides for the opportunity to report on the actual performance of the project. Subsection E.3 has been harmonized with subsection E.1.
Tables in E.2	E.5	The orientation of columns and rows has been changed in light of comments by Parties.[3] Values are to be converted using 1995 IPCC global warming potential (GWP) values[4] based on the effects of greenhouse gases over a 100-year time horizon.
F	F	The section has been revised by adding subsections and tables. Subsection F.1 provides an explanation of financial additionality (financial mechanism and official development assistance). Subsections F.2 and F.3 provide tables to report on sources of funding by origin (i.e. host/investor Party), the category (e.g. non-governmental organization (NGO), intergovernmental organization (IGO), private sector, public sector) and the respective amount sought or secured.
G	G	This section has been revised by adding subsections and by providing detailed questions.
H	H	Subsections H.1, H.2, H.4 and H.5 have been dropped. This section may now be used for any additional information Parties wish to include.

[3] Three new tables, replacing the old ones, are included in section E.5 to report on values regarding the baseline and the project scenario prior to the lifetime of the project (E.5.1), revisions (E.5.2) and actual values (E.5.3).

[4] As provided by the IPCC in its Second Assessment Report. Please refer also to conclusions of the SBSTA at its fourth session (FCCC/SBSTA/1996/20) and decision 2/CP.3 of the COP.

II. ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE: DRAFT REVISED UNIFORM REPORTING FORMAT

The uniform reporting format (URF) contained below is to be used to report on activities implemented jointly (AIJ) under the pilot phase in accordance with decision --/CP[x] (FCCC/CP/[2000/...]). Activities implemented jointly under the pilot phase should be consistent with decision 5/CP.1 (see annex 5 to this URF).

CONTENTS
(major headings only)

A. Governmental acceptance, approval or endorsement

B. Summary of AIJ project
- B.1 Title of project
- B.2 Participants
- B.3 Activity summary
- B.4 Determination of the baseline

C. General compatibility with and supportiveness of national economic development and socio-economic and environment priorities and strategies

D. Environmental, economic and social and cultural impacts
- D.1 Environmental impact (positive and/or negative)
- D.2 Economic impact (positive and/or negative)
- D.3 Social and cultural impact (positive and/or negative)

E. Calculation of real, measurable and long-term environmental benefits related to the mitigation of climate change, that would not have occurred otherwise
- E.1 Assumptions and characteristics of the baseline
- E.2 Revision of the baseline for the project
- E.3 Assumptions and characteristics of the project scenario
- E.4 Scope and performance of the actual project
- E.5 Tables on real, measurable and long-term GHG emission reductions or removals by sinks (in CO_2 equivalent)
- E.6 Mutually agreed assessment procedures
- E.7 Cost (to the extent possible)

F. Financing
- F.1 Financial additionality
- F.2 Project development
- F.3 Project implementation

G. Contribution to capacity-building and the transfer of environmentally sound technologies and know-how

G.1 Identification of environmentally sound technology and know-how
G.2 Characteristics of environmentally sound technology
G.3 Impact of the AIJ project on capacity-building and transfer of environmentally sound technology and know-how

H. Additional comments

Annexes

1. Participants' contact information
2. Project type descriptors
3. 1995 IPCC global warming potential (GWP) values based on the effects of greenhouse gases over a 100-year time horizon
4. Decision X/CP.[6] (decision adopting the revised URF and requesting Parties to use this format)
5. Decision 5/CP.1

A. Governmental acceptance, approval or endorsement

Guidance for completing section A:

A report (first, interim or final) shall be submitted to the secretariat by the designated national authority (DNA) of a participating Party with proof of concurrence, on official letterhead paper, of all other DNAs involved in the project. The AIJ project activity is then considered to be "mutually agreed". The submitting Party may forward reports to the UNFCCC secretariat by electronic mail. The proof of concurrence shall be faxed by the submitting Party at the same time. All documents must be made available subsequently to the UNFCCC secretariat in original form.

Reporting sections shall be reproduced and completed for AIJ project sub-activities whenever they differ in, for example, the way greenhouse gas (GHG) reductions are calculated or their impacts on national strategies and priorities.

Each report shall be dated. If the report is an interim or final report, the sections which were modified or newly completed shall be identified under the third bullet (•).

- Date of this report:

- This report is a *(please underline)*:
  - First report
  - Interim report
  - Final report

- Please indicate hereafter which sections were modified since the last report *(e.g. B.2, E.2.4, F.2)*:

B. Summary of AIJ project

Guidance for completing section B:

Section B should provide the reader with a brief description of the AIJ project activity. The information provided shall enable the reader to classify the project before reading detailed information contained in the remaining sections. The title of the AIJ project activity shall be reported in subsection B.1.

The role of the main participants shall be described in section B.2. Detailed contact information should be provided in annex 1 to the URF using the format contained therein and applying for each contact the descriptor system suggested in annex 2.

A general and brief description of the AIJ project activity shall be provided in subsection B.3.1, covering information such as the GHG impact, the type and scale of the technology

deployed (i.e. installed capacity, throughput). The type (using a set of descriptors), the location, the stage, and the lifetime of the AIJ project activity shall be identified in the remaining subsections of B.3. If the AIJ project activity has been suspended, a brief explanation and the date when it is scheduled to resume activity shall be provided. All dates in this report shall be provided in the format DD/MM/YYYY.

Information related to the baseline determination and approach shall be provided in section B.4. The baseline methodology, described in detail in section E.1, shall be indicated in section B.4.3. Two options are provided: (i) project-specific baseline, which establishes the emissions and/or removals for a specific reference case that represents what would otherwise occur; emissions and/or removals by sinks resulting from a project would be compared to the project-specific baseline to calculate net reductions or removals resulting from the project; (ii) multi-project baselines which establishes a performance standard (based on emissions and/or removals) for a sector or source category for a specific geographic area that represents what would otherwise occur; emissions and/or removals resulting from a project within the same sector or source category and same geographic area would be compared to the multi-project baseline to calculate net reductions or removals resulting from the project. The level of aggregation of the project boundary of the baseline described in detail in section E.1 shall be indicated in section B.4.4. The project boundary is defined as the space within which the project is implemented and its emissions or removals by sinks occur. Leakage due to the project, defined as the change in emissions or in removals by sinks outside the project boundary, shall be addressed.

B.1 Title of project

B.2 Participants

Please describe briefly the role(s) of the main participating organization(s) and provide detailed contact information in annex 1:

B.3 Activity summary

B.3.1 General description

B.3.2 Type of activity

Please use project type descriptors contained in annex 2.

B.3.3 Location (e.g. city, region, state):

B.3.4 Stage of activity *(Please underline the appropriate option):*

- Pre-feasibility study completed
- Feasibility study completed
- In start-up or construction phase

  (e.g. ensuring financing, construction of site, purchase of land, installation of new equipment)

B.3.4 Stage of activity (continued)

- In operation
  (e.g. new windmill plant is connected, converted boiler reconnected, etc. and real, measurable and long-term GHG emission reductions or removals by sinks are generated)
- Completed
  (AIJ project activity no longer generates GHG reductions or removals by sinks or has been terminated)
- Suspended
  (Please indicate date when AIJ project activity is expected to resume, and give brief explanation of reasons for suspension (up to half a page)):

B.3.5 Lifetime:

- Approval date:
  (Date at which the AIJ project activity was mutually approved by designated national authorities of ***all*** *Parties involved.)*
- Starting date:
  (Date at which real, measurable and long-term GHG reductions or removals by sinks will begin or began to be generated.)
- Ending date (expected):
  (Date at which AIJ project activity is expected to no longer generate GHG reductions or removals by sinks.)
- Ending date (actual):
  (Date at which AIJ project no longer generated GHG reductions or removals by sinks or was terminated.)
- Operational ending date:
  (Date at which AIJ project activity ceases operations.)
- Reasons for the choice of lifetime dates *(Describe briefly (up to half a page))*:

B.4 Determination of the baseline

B.4.1 Date of completing the baseline determination:

B.4.2 Carried out by (name):
(Please provide detailed contact information in annex 1)

B.4.3 Type of baseline methodology applied and described in detail in section E.1
(Please underline the appropriate option(s))

- Project-specific by:
  - simulating a likely situation that would have existed without the project
  - taking an actual reference case project
  - other (*Please specify (insert lines as needed)*):

- Multi-project by using *(please specify briefly)*:

B.4.4 Project boundary: degree of aggregation *(Please underline)*:

- Global
- National
- Sectoral *(please specify)*:_____
- Project
- Other *(please specify)*:_____

C. General compatibility with and supportiveness of national economic development and socio-economic and environment priorities and strategies

Describe briefly (up to one page) and refer to documents, decisions and laws, as appropriate:

D. Environmental, economic and social and cultural impacts

Guidance for completing section D:

The positive and negative impacts of the AIJ project activity on environmental (other than GHGs), economic and social and cultural areas shall be reported in this section. Whenever possible, *quantitative information* shall be provided. Failing that, a *qualitative description* shall be given. Indicators (qualitative and quantitative) applied shall reflect the impact of the AIJ project activity in an interconnected manner. Copies of reports, details and sources of information for environmental impact assessment standards (D.1), economic indicators (D.2) and social and cultural assessment measures (D.3) should be at least referenced. Documents required by law of the host or investor Party relating to these areas shall be at least referenced, for example an environmental impact assessment. The information provided for each section shall not exceed one page.

D.1 Environmental impact (positive and/or negative)

D.2 Economic impact (positive and/or negative)

D.3 Social and cultural impact (positive and/or negative)

E. Calculation of real, measurable and long-term environmental benefits related to the mitigation of climatic change, that would not have occurred otherwise

Guidance for completing section E:

The baseline, i.e. what would have occurred in the absence of the AIJ project, shall be described in section E.1. Assumptions and characteristics of the baseline shall be provided in section E.1.1. The information provided shall include a list of risk factors considered and the way such risks are addressed in the baseline. The baseline shall be described in section E.1.2 including effects occurring outside the AIJ project activity boundary. Such effects may cover:

(i) positive effects (e.g. displacing activities that reduce emissions in another location; technology spillovers; awareness building; cost reduction of technology due to scale effects; attraction of demand for clean, reliable services); and (ii) negative effects (e.g. displacing activities that cause emissions in another location; technology leakage; purchasing or contracting out of services and commodities that were previously produced or provided on-site and now lead to emissions elsewhere; emission increases due to higher demand for services and commodities whose market price has been reduced through the project; changes in emissions during the life-cycle of a product so that emissions arise in other stages of the life-cycle that are not subject to constraints). If an overall leakage correction factor is used, its estimation and measurement shall be explained.

The reasons for selecting a baseline and the methodology shall be provided in subsection E.1.3. The type of methodological approach applied and described in this subsection shall be indicated in subsection B.4.3. Similarly the level of aggregation of the project boundary should be indicated in section B.4.4.

The reporting on the calculation of GHG reductions and/or removals using IPCC global warming potentials for a 100-year time horizon (refer to annex 3) shall be transparent. The information provided in subsection E.1.4 shall be sufficient to enable a full understanding of the calculation and its results. Disaggregated activity data (e.g. fuel consumption), emission factors and other underlying assumptions and data, as well as effects occurring outside the project boundary, shall be considered and reported. Discount rates applied, if different from those used in subsection E.7.2 should be reported. Numeric data other than the GHG reduction and/or removals should be provided in the 'documentation box' at the end of the subsection.

Revisions of baselines shall be reported in section E.2, as applicable. The AIJ project scenario should be presented including the methods applied to calculate the levels of emissions and/or removals by sinks. Guidance provided for subsections E.1.1, E.1.2 and E.1.4 apply to the respective subsections in section E.3.

The GHG reductions and/or removals calculated in subsections E.1.4, E.2.4, E.3.4 and E.4 shall be reported in the applicable tables of subsection E.5. Numerical data related to activity, emission factors, underlying assumptions etc. shall be reported in the documentation box provided in each subsection of E. Data should be reported only once and cross-referenced if necessary.

Depending on the mutually agreed assessment procedure chosen for the AIJ project activity, subsections E.6.1 to E.6.5 should be filled in as applicable. Information on cost shall be reported in subsection E.7. If cost information is considered confidential, the appropriate option in subsection E.7.1 shall be underlined.

The various cost items referred to in subsection E.7.2 are defined as follows:
- Project development costs include costs of project design and of viability, pre-feasibility and feasibility studies.
- Capital costs are costs incurred in connection with the financial commitments of the project over its lifetime.

• Installation costs include construction and start-up costs, i.e. costs of construction of sites, installation of equipment etc.
• Operational and maintenance costs include the cost of operating and maintaining the project activity.
• Transaction costs: No definition of transaction costs is available. Little information on transaction costs is available for AIJ project activities as no figures are reported officially. It is suggested that transaction costs shall include, *inter alia*, the cost of mutually agreed assessment procedures (validation, monitoring, verification, certification and/or others, as applicable).
• Costs per metric ton of CO_2 equivalent are calculated by dividing the sum of gross AIJ project activity costs and gross AIJ project activity transaction costs by the total CO_2 equivalent reductions or removals from tables E.5.1, E.5.2 or E.5.3 as applicable.

If this project has several sub-activities, please reproduce sections E.1 to E.5 for each sub-activity, as appropriate.

E.1 Assumptions and characteristics of the baseline

E.1.1 Assumptions of the baseline and its project boundary:

E.1.2 Describe the baseline:
Please describe the baseline as well as effects occurring outside the project boundary (up to 1 page):

E.1.3 Reasons for selecting a baseline and its methodology:
(Describe (up to 1 page)):

E.1.4 Calculation of values reported in 'Baseline scenario' in table E.5.1 column (A):

Documentation box *(Please provide numerical data referred to in this section):*

E.2 Revision of the baseline for the project

E.2.1 Baseline revisions are planned (please underline): Yes/ No
If yes, please complete the remainder of section E.2.

E.2.2 Revisions are planned at regular intervals (please underline): Yes/ No

- If yes, please specify date of first revision and the length of the intervals:
- If no, please explain revision schedule *(up to half a page)*:

E.2.3 If a baseline revision is covered with this report, indicate:

- Parameters changed in the revision(s) *(e.g. Revision 1: energy demand, Revision 2: energy mix of the host grid)*:

E.2.3 If a baseline revision is covered ... (continued)

- Date of last baseline revision: *(DD/MM/YYYY)*
- Date of next baseline revision: *(DD/MM/YYYY)*

E.2.4 Describe briefly the nature of each revision including the calculation of the new set of values in 'Baseline scenario' in table E.5.2, column (A).

Documentation box *(Please provide numerical data referred to in this section):*

E.3 Assumptions and characteristics of the project scenario

E.3.1 Assumptions for the AIJ project activity and its boundary

E.3.2 Describe the project scenario
Please describe the baseline as well as effects occurring outside the project boundary (up to 1 page):

E.3.3 Please explain why the AIJ project activity would not have taken place anyway:
(Describe (up to 1 page)):

E.3.4 Calculation of values reported in 'Project scenario' in table E.5.1, column (B)

Documentation box *(Please provide numerical data referred to in this section):*

E.4 Scope and performance of the actual project
Describe changes with regard to the project scenario (see section E.3 above):

Documentation box *(Please provide numerical data referred to in this section):*

E.5 Tables on real, measurable and long-term GHG emission reductions or removals by sinks (in CO_2 equivalent)

E.5.1 Projected real, measurable and long-term GHG emission reductions or removals by sinks

Summary table prior to the lifetime of the project
(in metric tons of CO_2 equivalent[a])

Insert rows as needed

Year	**Baseline scenario[b]** *(A)*				**Project scenario[b]** *(B)*				**Projected real, measurable and long-term GHG emission reductions (-) or removals by sinks (+)** *((B)-(A))*			
	CO_2	CH_4[a]	N_2O[a]	Other[a]	CO_2	CH_4[a]	N_2O[a]	Other[a]	CO_2	CH_4	N_2O	Other
TOTAL												

[a] *Please convert values into global warming potentials, referring to annex 3 for conversion factors.*
[b] *Including effects occurring outside the project boundary (leakage) as described in sections E.1.4, and E.3.4, as applicable*

E.5.2 Revised projected real, measurable and long-term GHG emission reductions or removals by sinks
Please prepare for each revision a table starting with the year of the baseline revision

Summary table for revision number___ *(Please fill in as appropriate)*
(in metric tons of CO_2 equivalent[a])

Insert rows as needed

Year	**Baseline scenario[b]** *(A)*				**Project scenario[b]** *(B)*				**Revised real, measurable and long-term GHG emission reductions (-) or removals by sinks (+)** *((B)-(A))*			
	CO_2	CH_4[a]	N_2O[a]	other[a]	CO_2	CH_4[a]	N_2O[a]	Other[a]	CO_2	CH_4	N_2O	Other
TOTAL												

[a] *Please convert values into global warming potentials, referring to annex 3 for conversion factors.*
[b] *Including effects occurring outside the project boundary (leakage) as described in sections E.1.4, E.2.4 and E.3.4, as applicable.*

E.5.3 Actual real, measurable and long-term GHG emission reductions or removals by sinks

Summary table
(in metric tons of CO_2 equivalent[a])

Please insert values assessed ex post i.e. after measurement. Insert rows as needed

Year	**Baseline scenario**[b c] *(A)*				**Actual project**[b c] *(B)*				**Actual real, measurable and long-term GHG emission reductions (-) or removals by sinks (+)** *((B)-(A))*				**Values indicated are: * verified (V) * certified (C)**
	CO_2	CH_4[a]	N_2O[a]	Other[a]	CO_2	CH_4[a]	N_2O[a]	Other[a]	CO_2	CH_4	N_2O	Other	
TOTAL													

[a] *Please convert values into global warming potentials, referring to annex 3 for conversion factors.*

[b] *Including effects occurring outside the project boundary (leakage) as described in sections E.1.4, E.2.4 , E.3.4 and E.4, as applicable.*

[c] *Values that differ from those in table E.5.1 should be marked in* ***bold****.*

E.6 Mutually agreed assessment procedures

Please fill subsections as applicable to the AIJ project activity

E.6.1 Validation:

- Has the project design been subject to an independent validation? *(Please underline)*: Yes/No
- If yes, what organization(s) is/are involved: *Please indicate the type of organization(s) (consultancy, accredited certification body, government body, university, etc.), and provide their detailed contact information in annex 1 to this report.*

E.6.2 Monitoring

- Does the project have a monitoring plan? *(Please underline)*: Yes / No
- Summarize briefly the key elements of the monitoring plan *(i.e. which parameters are being monitored, with what frequency, providing sampling intensities if appropriate, methods and equipment; associated uncertainties, etc.) (not more than 1 page):*

- Is the monitoring conducted by project proponents? *(Please underline)*: Yes / No
- If no, which organization(s) is/are involved: *Kindly indicate the type of organization(s): consultancy, accredited certification body, government body, university etc. and provide their detailed contact information in annex 1 to this report:*

E.6.3 Verification

- Is the activity subject to independent verification *(Please underline)*: Yes / No
- If no, is independent verification intended? *(Please underline)*: Yes / No
- If yes, what organization(s) is/are involved: *Please indicate the type of organization(s) (consultancy, accredited certification body, government body, university, etc.), and provide their detailed contact information in annex 1 to this report. Indicate the frequency of the assessments, how many assessments have taken place to date, and whether the assessment report(s) is/are publicly available if requested.*

- Summarize briefly the key elements of the verification activities: *(Please describe issues such as criteria used; the project design; project implementation; assessment of the baseline; key project parameters being verified; the frequency of assessment/surveillance; sampling approach applied by the assessing organization) (up to one page):*

E.6 Mutually agreed assessment procedures (continued)

E.6.4 Certification
Certification is not a formal requirement under the AIJ pilot phase. If the project has made provisions for third-party certification, please indicate the certification body and frequency of certification, and attach copies of the certification agreement or protocol(s):

E.6.5 Other form of mutually agreed assessment procedure *(please specify)*:

E. 7 Cost (to the extent possible)[5]

E.7.1 The cost information is *(Please underline)*:

- Provided below
- Not provided because the data are *(Please underline)*:
  - Not yet available
  - Classified as confidential

[5] Some Parties suggest that this section should not be included due to concerns regarding confidentiality of information and transaction cost increases. The issue of confidentiality is covered by option 2 in section E.7.1.

E.7.2 Project costs and revenues[6]

Please list cost/revenue figures per year (insert rows as needed)

Year	Cost/revenue description	Incurred/ projected[a]	Amount in US$	NPV[b] in US$
(A)	(B)	(C)	(D)	(E)
Project development costs				
(1) Subtotal project development costs				
Capital costs				
(2) Subtotal capital costs				
Installation costs				
(3) Subtotal installation costs				
Operational and maintenance costs				
(4) Subtotal operational and maintenance costs				
Other costs				
(5) Subtotal other costs				
Transaction costs *(Please include and distinguish validation, monitoring, verification and certification costs, as applicable)*				
(6) Subtotal transaction costs				
Revenues				
(7) Subtotal revenues				
(8) Gross AIJ project costs *(sum subtotals (1) to (5) above)*				
(9) Gross AIJ transaction costs *(repeat value (6) above)*				
(10) Projected costs per metric ton of CO_2 *(sum totals (8) and (9) above divided by total reductions/removals from table E.5.1 or E.5.2 as applicable)*				
(11) Incurred costs per metric ton of CO_2 *(sum totals (8) and (9) above divided by total reductions/removals from table E.5.3)*				
(12) Gross AIJ project revenues *(repeat value (7) above)*				

[a] *Enter I = incurred, P = projected*

[b] *Use net present value method to calculate values. Please indicate here relevant assumptions on, inter alia, exchange rates, discount and interest rates:*

---

[6] A Party suggested that, instead total costs and revenues, only the AIJ component should be considered using an approach similar to the GEF incremental cost approach. The Party offered to provide tables and technical guidance.

F. Financing

F.1 Financial additionality

*Note: The financing of AIJ shall be **additional** to financial obligations of Parties included in Annex II to the Convention within the framework of the financial mechanism, as well as to current official development assistance (ODA) flows (decision 5/CP.1). Please explain additionality in the context of this project (up to half a page).*

F.2 Project development

* Total financing required *(in thousand US$)*: ____

Insert rows as necessary

Source of project funding *Including pre-feasibility phase* *(One line for each source)*	**Origin**[a]	**Category**[b]	**Amount** *(in thousand US$)*	
			Sought	Secured

[a] *Enter: H = host country, I = investor country, O = other*

[b] *Enter: 1 = Private sector contribution; 2 = Private sector loan; 3 = Public sector contribution; 4 = Public sector loan; 5 = NGO contribution; 6 = NGO loan; 7 = IGO contribution; 8 = IGO loan; 9 = GEF funding; 10 = ODA funding. Contribution may refer to grants or in-kind contributions (please specify).*

F.3 Project implementation

* Total financing required *(in thousand US$)*: ____

Insert rows as necessary

Source of project funding *(One line for each source)*	**Origin**[a]	**Category**[b]	**Amount** *(in thousand US$)*	
			Sought	Secured

[a] *Enter: H = host country, I = investor country, O = other*

[b] *Enter: 1 = Private sector contribution; 2 = Private sector loan; 3 = Public sector contribution; 4 = Public sector loan; 5 = NGO contribution; 6 = NGO loan; 7 = IGO contribution; 8 = IGO loan; 9 = GEF funding; 10 = ODA funding. Contribution may refer to grants or in-kind contributions (please specify).*

G. Contribution to capacity-building and the transfer of environmentally sound technologies and know-how

Note: Developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties in order to enable them to implement the provisions of the convention.

Guidance for completing section G:

The key technology(ies) transferred through the AIJ project activity shall be described briefly in section G.1. If information is considered to be confidential, the respective field should be indicated as such.

To the extent possible, the characteristics of the key technology(ies) transferred shall be indicated in section G.2 by underlining one of the options provided. If the last option is chosen, a brief description should be provided.

The impact of the AIJ project on capacity-building and transfer of environmentally sound technology and know-how shall be described in section G.3 covering issues such as information dissemination, centres and networks, effect on market development (e.g. relative changes in installed capacities, number of systems installed, investment volumes, sales volumes), specific barriers overcome (informational, financial, legal, institutional), institutions strengthened, new financing schemes or models introduced, new legal or institutional arrangements. Indicators related to such impact shall be referenced if collected.

G.1 Identification of environmentally sound technology and know-how

- Name of manufacturer:
- Place of manufacture *(country)*:
- Model names and numbers of equipment *(where appropriate)*:
- Any other relevant key specific technology characteristics:
- Where applicable, name and location of provider and nature of training:

G.2 Characteristics of environmentally sound technology

The technology is *(underline the option)*:

- At a research and development stage
- Being tested or demonstrated in similar conditions outside the host country
- At the initial stage of introduction into the world market
- At the initial stage of introduction into the host market
- Commercially available and deployed in the world market
- Commercially available and deployed in the host market
- Not characterized by the above options. *Please describe:*

G.3 Impact of the AIJ project on capacity-building and transfer of environmentally sound technology and know-how *(up to two pages)*:

H. Additional comments

Complete as appropriate:

Annex 1 to the uniform reporting format

PARTICIPANTS' CONTACT INFORMATION

Please provide contact information for each organization. Add rows as required (by copying and pasting)

Name	Address [a]	Voice/Fax/E-mail
Organization(s) [b]: **Function(s) within activity [c]:**		
Officer responsible:		**Tel:** **Fax:** **E-mail:**
Contact person, if different from above:		**Voice:** **Fax:** **E-mail:**

[a] *Address should include: department; street; postal code; city; country and the Internet address of the organization (if available).*

[b] *Organization includes: institutions, ministries, government agency closely following the activity, companies, non-governmental organizations, etc. involved in the activity.*

[c] *Function within activity: please use the following categories:*

Function	*Description of function*
Project development	*Designing/developing the AIJ project and/or submitting the AIJ project proposal*
Project operator	*Implementing and administering the AIJ project activities*
Government regulation/oversight	*Ensuring compliance of the project with laws and regulations*
Technical assistance	*Providing scientific or other technical guidance or support for the purposes of project development and/or project administration, implementation, training and education activities*
Financing	*Serving as a source of funding for the AIJ project*
Monitoring	*Monitoring the environmental and/or socio-economic results of the project in accordance with a monitoring protocol*
Verification	*Verifying results (environmental and/or socio-economic) achieved by a project against pre-set criteria*
Certification	*Providing written assurance that a performance is achieved and/or a set of criteria is met by an activity*
Designated national authority	*Entity authorized to officially accept, approve or endorse the AIJ project*
Other (please specify)	

Annex 2 to the uniform reporting format

PROJECT TYPE DESCRIPTORS

To describe the type of project activity, please specify the sector(s) and activity(ies). Use a combination from the first column and one option from the second column.

Sector	Activity
Energy	Fuel-switching, renewable energy generation, alternative energy generation, improving energy efficiency, reduction of fugitive emissions from fuels, other (please specify)
Industrial processes (Excluding GHG emissions from energy production)	Material substitution, process or equipment change, waste treatment, recovery or recycling, other (please specify)
Solvent and other product use	Material substitution, process or equipment change, waste treatment, recovery or recycling, other (please specify)
Agriculture	Livestock productivity management, livestock manure management, crop management, crop-switching, fertilizer management, fertilizer substitution, other (please specify)
Land-use change and forestry	Afforestation, reforestation, forest preservation, agroforestry, silviculture (forest management), fire management, sustainable harvesting, reduced impact logging, manufacture of durable wood products, other (please specify) [a]
Waste	Solid-waste management, landfill methane recovery, waste-water management, other (please specify)

[a] Parties may wish to further revise these activity categories in the light of results of methodological work on land-use change and forestry.

Annex 3 to the uniform reporting format

1995 IPCC GLOBAL WARMING POTENTIAL (GWP) VALUES[a] BASED ON THE EFFECTS OF GREENHOUSE GASES OVER A 100-YEAR TIME HORIZON

Greenhouse gas	Chemical formula	1995 IPCC GWP
Carbon dioxide	CO_2	1
Methane	CH_4	21
Nitrous oxide	N_2O	310
Hydrofluorocarbons (HFCs)		
HFC-23	CHF_3	11700
HFC-32	CH_2F_2	650
HFC-41	CH_3F	150
HFC-43-10mee	$C_5H_2F_{10}$	1300
HFC-125	C_2HF_5	2800
HFC-134	$C_2H_2F_4$ (CHF_2CHF_2)	1000
HFC-134a	$C_2H_2F_4$ (CH_2FCF_3)	1300
HFC-143	$C_2H_3F_3$ (CHF_2CH_2F)	300
HFC-143a	$C_2H_3F_3$ (CF_3CH_3)	3800
HFC-152a	$C_2H_4F_2$ (CH_3CHF_2)	140
HFC-227ea	C_3HF_7	2900
HFC-236fa	$C_3H_2F_6$	6300
HFC-245ca	$C_3H_3F_5$	560
Perfluorocarbons		
Perfluoromethane	CF_4	6500
Perfluoroethane	C_2F_6	9200
Perfluoropropane	C_3F_8	7000
Perfluorobutane	C_4F_{10}	7000
Perfluorocyclobutane	c-C_4F_8	8700
Perfluoropentane	C_5F_{12}	7500
Perfluorohexane	C_6F_{14}	7400
Sulphur hexafluoride	SF_6	23900

[a] As provided by the IPCC in its Second Assessment Report. Please refer to conclusions of the SBSTA at its fourth session (FCCC/SBSTA/1996/20) and decision 2/CP.3 (FCCC/CP/1997/7/Add.1).

Annex 4 to the uniform reporting format

[Decision adopting the revised URF and requesting Parties to use this format]

Annex 5 to the uniform reporting format

[Decision 5/CP.1]

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Thirteenth session
Lyon, 11-15 September 2000
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PROCEDURES AND MECHANISMS RELATING TO COMPLIANCE UNDER THE KYOTO PROTOCOL

Proposals from the co-chairmen of the Joint Working Group on Compliance

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I. INTRODUCTION

A. Mandate

1. At the twelfth sessions of the subsidiary bodies, the Joint Working Group on Compliance (JWG) requested the co-chairmen, with the assistance of the secretariat, to further develop the text on procedures and mechanisms relating to a compliance system under the Kyoto Protocol contained in the annex to the report of the JWG,[1] to serve as the basis for negotiation, along with inputs from Parties, at the thirteenth sessions of the subsidiary bodies.

B. Scope of the note

2. In order to fulfil their mandate, the co-chairmen held informal consultations. The text on compliance contained in this note is based on those consultations, as well as on the outcome of the work of the JWG at the twelfth sessions of the subsidiary bodies. The text reflects ongoing development of views in areas such as objectives, functions, structures and procedures.

3. In the text, the reference to "Compliance [...]" denotes the fact that there are various proposals as to the title of the compliance body or bodies that may be established, as Parties are yet to agree on this matter.

4. Efforts have been made to streamline procedural arrangements relating to facilitation or branch 1 and enforcement or branch 2. It was suggested that these procedural arrangements, as well as the procedure relating to Articles 6, 12 and 17, be located under the heading "Proceedings" in section III. As views of Parties continue to evolve on this issue, further discussion is needed on how these procedures would be integrated into the main body of the text. For the moment, they have been placed as attachments to the text. These attachments should be considered together with the text under "Proceedings" in section III.

5. It was proposed that, in accordance with Article 16 of the Protocol, the multilateral consultative process (MCP) referred to in Article 13 of the Convention, modified as appropriate, should be designated to address certain questions of implementation under the Protocol. As requested by Parties, the text of the MCP is contained in the annex for reference purposes.

C. Possible action by the Joint Working Group

6. Parties are invited to use the text presented in this note as the basis of their negotiations at the thirteenth sessions of the subsidiary bodies. The JWG may wish to request the co-chairmen to further develop the text on compliance for consideration during the resumed thirteenth sessions of the subsidiary bodies, with a view to completing its work in accordance with decisions 8/CP.4 and 15/CP.5.

---

[1] FCCC/SBI/2000/5, annex III.

II. TEXT

[PROCEDURES AND MECHANISMS RELATING TO COMPLIANCE UNDER THE KYOTO PROTOCOL]

[A COMPLIANCE SYSTEM FOR THE KYOTO PROTOCOL]

Section I. General provisions

Objective

The objective of the [procedures and mechanisms relating to compliance] [compliance system] is to facilitate, promote [and enforce] compliance with the commitments of the Protocol, in the manner set out in the following provisions [, in pursuit of the ultimate objective of the Convention].

Nature

Option 1

The [procedures and mechanisms relating to compliance] [compliance system] shall be credible, fair, coherent, comprehensive, unified, effective, predictable, transparent and simple.

Option 2

The nature of the [procedures and mechanisms relating to compliance] [compliance system] should not be expressly provided for in the operative text, as its nature will be implicit from the content of the text. Alternatively, its nature could be reflected in the preamble or in a decision accompanying the adoption of the [procedures and mechanisms relating to compliance] [compliance system].

Principles

Option 1

The operation of the [procedures and mechanisms relating to compliance] [compliance system] shall [be guided by] [be based on] the [principles set out in Article 3 of the Convention] [and the recognized principles under international law] [and in particular shall]:

[1. Be proportionate, in that the procedures, mechanisms and consequences should take into account the cause, type, degree and frequency of non-compliance;]

[2. Adhere to the principle of common but differentiated responsibilities as defined in the Convention;]

[3. Treat all Parties that have undertaken the same commitments in an equivalent manner;]

[4. Be based on principles of efficiency and due process allowing Parties, and in particular the Party concerned, an opportunity for a full, fair and timely [consideration and] resolution of compliance-relating issues; [, including the presumption that a Party has complied with its commitments unless non-compliance is established;]]

[5. Preserve sovereign rights of Parties;]

[6. Provide for reasonable certainty; prevention of non-compliance; importance of domestic compliance and enforcement; creating appropriate incentives to comply; restoration to the environment of excess tonnes; automaticity; and transparency.]

Option 2

Principles governing the operation of the [procedures and mechanisms relating to compliance] [compliance system] should not be expressly provided for in the text, as they are contained in the Convention and the Protocol and could be implicit from the content of the text, or be reflected in the preamble or in a decision accompanying the adoption of the [procedures and mechanisms relating to compliance] [compliance system].

Scope of application

Option 1

The [procedures and mechanisms relating to compliance] [compliance system] shall apply to all commitments [contained] in [and under] the Protocol.

Option 2

The [procedures and mechanisms relating to compliance] [compliance system] shall apply to all commitments [contained] in [and under] the Protocol [as provided in this decision.] [, except where otherwise provided.]

Option 3

The [procedures and mechanisms relating to compliance] [compliance system] shall apply to all commitments [contained] in [and under] the Protocol, [and, as appropriate, the rules, guidelines, and procedures thereunder] [, except that all compliance and non-compliance issues with respect to the clean development mechanism (CDM) shall be dealt with exclusively by the executive board of the CDM].

Option 4

The [procedures and mechanisms relating to compliance] [compliance system] shall apply to [Articles 3.1, 4.1, 5, 7, 8, 6, 12, 17] [all commitments of Annex I Parties] [contained] in [and under] the Protocol. [All issues of compliance with other commitments [contained] in [and under] the Protocol shall be addressed and determined by the multilateral consultative process under Article 16.]

Functions

The Compliance [. . .][2] shall perform the following general functions, in accordance with the provisions of this text:

1. Provide advice and facilitate assistance;

2. Determine questions raised relating to application of any adjustment regarding an Annex I Party under Article 5.2 [, in the event of a dispute]; (*other paragraphs?*)

[3. Address specific questions arising under Articles [4,] 6 [, 12] and 17[3];]

[4. Address any [alleged] failure [by Annex I Parties] to meet eligibility requirements in and under Articles 6 [, 12] or 17;]

5. Address questions of compliance in and under the Protocol, [in particular, with [Article 3.1] [Articles 2 and 3] [Article 3.14] [Article 4.1];

6. Determine and [apply] [impose] outcomes and consequences.

Section II. Establishment and structure

Establishment

Option 1

1. A Compliance [. . .] is hereby established [, as a subsidiary body pursuant to Article 13.4 [(h)] [j] of the Protocol] [under Article 18] [, to address questions of implementation of commitments of [individual Annex I] Parties].

2. The Compliance [. . .] may establish such sub-groups or panels as it deems necessary to carry out its functions.

---

[2] The formal title of the Compliance [. . .], whether compliance institution, compliance authority, compliance committee, compliance system, procedures and mechanisms relating to compliance, or other, is yet to be decided.

[3] Henceforth, every reference in the text to Article 17 stands as a reference to "[, if provided for by an amendment to the Protocol, Article]17".

[3. The multilateral consultative process referred to in Article 16 may be designated to address questions of implementation of the Protocol [of non-Annex I Parties].]

Option 2

1. A Compliance [. . .] is hereby established [, as a subsidiary body pursuant to Article 13.4 [(h)] [j] of the Protocol] [under Article 18] [to carry out the functions set out in section I, paragraph . . .].

[2. The multilateral consultative process referred to in Article 16 may be designated to address questions of implementation of the Protocol [of non-Annex I Parties].]

3. The Compliance [. . .] shall consist of two branches, to be designated as branch 1 and branch 2 [; dealing with facilitation and enforcement, respectively].[4]

4. Branch 1 shall [be responsible for the functions other than those set out in paragraph ...] [It shall promote compliance and] provide for advice and facilitate assistance to individual Parties [, and otherwise handle questions of implementation whose treatment may potentially lead to outcomes of [a non-mandatory] [facilitative] nature, set out in paragraph . .]. [Such functions shall constitute the multilateral consultative process referred to in Article 16.]

5. Branch 2 shall be responsible for assessing, determining and otherwise dealing with:

(a) Questions relating to non-compliance with [Articles 2 and 3] [Article 3.1] of the Protocol;

(b) [Alleged] failure [by Annex I Parties] to meet the eligibility requirements for one or more of the mechanisms under Articles 6 [, 12] and 17 [, including determining that a suspended Party may resume use of one or more such mechanism];

[(c) Failure to meet the requirements of Articles 5 and 7];

(d) The application of adjustments under Article 5.2 [, in the event of a dispute];

[(e) Failure to achieve the emission level under Article 4];

[(f) Failure to implement Article 3.14].

(g) Application of the outcomes set out in section IV, paragraph . . .;

[(h) Referring, at its discretion, to forward a case to branch 1 for further consideration.]

---

[4] The formal titles of the branches, whether facilitative branch or consultative branch, enforcement branch or compliance branch, are yet to be decided.

[6. The Compliance [. . .] may establish such sub-groups or panels as it deems necessary to carry out its functions.]

Structure[5]

1. The [Compliance [. . .]] [branch 1] [branch 2] [panel] shall consist of [no more than][...] [10] [12] [15] [20] [21] [25] [30] members [to be assisted by a roster of experts [established on the basis of nominations provided by Parties]]. [It] shall be composed of experts of recognised competence in relevant fields, such as the scientific, technical, socio-economic and legal fields. [The Compliance [. . .] may draw upon such other expertise as it deems necessary.]

2. The members of the [Compliance [. . .]] [branch 1] [branch 2] [panel] shall be [nominated by Parties and shall act in their personal capacity] [representatives of Parties]. The [election] of members shall be based on [equitable geographical representation] [equal representation of the five United Nations regional groups] [one half to be [elected] from among Annex I Parties and one half to be [elected] from among non-Annex I Parties] [a larger proportional representation from among Annex I Parties] [within the group of Annex I and non-Annex I Parties representation shall be based on equitable geographical representation].

3. The members of the Compliance [. . .] shall be [elected] by the Conference of the Parties serving as the meeting of the Parties (COP/MOP) for [2] [3] [4] years. The COP/MOP shall [elect] [...] members for a term of [two] years and [..] members for a term of [..] years. At two-year intervals thereafter, the COP/MOP shall alternately [elect] [..] new members for a term of [..] years. Outgoing members may be [re-elected] for one consecutive term.

Section III. Procedures

Submission of questions to the Compliance [. . .]

[1. The secretariat upon receipt of the reports of the expert review teams under Article 8 shall submit such reports, including any questions of implementation indicated in the reports and listed by the secretariat, to the Compliance [. . .].]

2. Questions regarding implementation of the Protocol may also be submitted to the Compliance [. . .], by:

(a) Any Party with respect to itself;

(b) Any Party to [facilitation] [branch 1] with respect to another Party [, supported by corroborating information];

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[5] The composition and expertise of each branch will depend on the determination of options under section II, "Establishment".

[(c) The COP/MOP [, except that a Party may not participate in the decision with respect to a question directly concerning itself]];

[(d) A body of representatives established by the COP/MOP];

[(e) The executive board or other bodies established under Articles 6, 12 or 17];

[(f) The secretariat].

3. Submissions under paragraph 2 (b) – (f) shall be made available by the secretariat to the Party concerned within [two] weeks.

Preliminary examination of questions

Option 1

1. The [Compliance [. . .]] [[Chairperson] [Bureau] of the Compliance [. . .]] [Chairpersons of branches] [screening panel] [screening panel set up by the COP/MOP, with [equitable geographical representation][equal representation of the five United Nations regional groups]] [the Secretariat] shall forward questions submitted under paragraphs .... to the relevant [branch] [panel] in accordance with the mandate of that branch.

[2. The [Compliance [. . .]] [relevant branch] [screening panel] [screening panel set up by the COP/MOP with [equitable geographical representation][equal representation of the five United Nations regional groups]] shall make a preliminary examination of questions other than those raised by a Party concerning itself, to ensure that such questions are:

[(a) Supported by sufficient information;]

[(b) Not *de minimis* or ill-founded]; and

[(c) Referred to the Subsidiary Body for Implementation (SBI) or the Subsidiary Body for Scientific and Technological Advice (SBSTA) where multiple questions submitted raise similar types of issues (e.g. specific methodologies, interpretation of particular provisions of the Protocol)]]

[in accordance with agreed criteria adopted by the [Compliance [. .]] [COP/MOP]].

[3. Preliminary examination of questions shall be completed within [....] weeks after receiving [a question of implementation].]

[4. Following this preliminary examination, [branch 2] may forward a question within its mandate to [branch 1] for consideration on how to address that question. If the matter at issue has not been resolved within [. . .] weeks, [branch 1] shall return that question to [branch 2] for its *determination.]*

Option 2

[1. [The [Chairperson] [Bureau] of the Compliance [. . .]] [screening panel set up by the COP/MOP, with [equitable geographical representation][equal representation of the five United Nations regional groups]] may recommend to the Compliance [. .] that no further action shall be taken on a particular case.

2. Where the Compliance [. . .] approves the recommendation of the [Chairperson] [Bureau] [screening panel set up by the COP/MOP, with [equitable geographical representation] [equal representation of the five United Nations regional groups]], the Party concerned shall be informed forthwith.

3. The [Chairperson] [Bureau] of the Compliance [. . .] [in consultation with ...] shall determine whether the question shall be considered in accordance with:

(a) The facilitative procedure, or

(b) The enforcement procedure, [or]

[(c) The expedited procedure].

4. The [Chairperson] [Bureau] of the Compliance [. . .] [in consultation with ...] shall nominate a panel to consider the case, consisting of [at least] [. . .] members of the Compliance [...], with relevant expertise and including a [. . .] majority of members of the Compliance [. . .] nominated from among the Parties included in Annex I.]

Option 3

1. Prior to the commitment period, the Compliance [. . .] shall, in accordance with the expedited procedure in attachment III:

(a) Review the reports of the expert review teams and decide whether a Party has met the eligibility criteria for participation in the mechanisms; and

[(b) Resolve any disagreements that may arise between the expert review team and the Party concerned regarding that Party's base year emissions and the calculation of its assigned amounts under Articles 3.7, 5 and 7.]

2. During the commitment period, the Compliance [. . .] shall:

(a) In accordance with the expedited procedure in attachment III:

(i) Review the reports of the expert review teams and decide whether a Party has met the eligibility criteria for participation in the mechanisms; and

(ii) [Resolve any disagreements that may arise between the expert review team and the Party concerned regarding adjustments under Articles 5 and 7.]

(b) Review and consider any other questions referred to it concerning a Party's implementation of its commitments under the Protocol in accordance with the procedure in attachment I.

3. At the end of the true-up period the Compliance [. . .] shall, on its own initiative, or, by negative consensus upon the request of a Party, decide whether to establish an enforcement panel to carry out the procedure in attachment II, in the following manner:

(a) An enforcement panel shall be established by the Compliance [. . .] at its first meeting following the receipt by the secretariat of a request from a Party, unless the Compliance [. . .] decides by consensus not to establish a panel;

(b) If the Compliance [. . .] concludes that it has sufficient corroborating information to demonstrate the non-compliance of a Party with its commitments under Article 3.1, it shall establish an enforcement panel on its own initiative;

(c) When the Compliance [. . .] has established an enforcement panel on its own initiative, the matter shall be taken forward by the chairperson of the Compliance [. . .]. When the procedure has been initiated at the request of a Party the matter shall be taken forward by that Party;

(d) Each enforcement panel shall be composed of three well-qualified experts, selected by the Executive Secretary from a roster nominated by the COP/MOP.

Proceedings of the Compliance [. . .][6]

The procedures contained in attachments I, II and III are to be incorporated into this part.

1. *Decision-making*

Option 1

The members of the [Compliance [. . .]] [branch 1] [branch 2] [panel] shall make every effort to reach agreement on its [decisions] [recommendations] by consensus. If all efforts at consensus have been exhausted, and no agreement reached, the [decision] [recommendation] shall as a last resort be adopted by a [three-quarters majority] vote of [the Parties] [members] present and voting at the meeting. [, provided that adoption of any [decision] [recommendation] shall have a quorum of [. . .].]

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[6] The proceedings of the Compliance [. . .] may be different, and may need to be provided for, in respect of the operation of facilitation/branch 1 and enforcement/branch 2, or other procedures.

Option 2

The [Compliance [. . .]] [branch 1] [branch 2] [panel] shall make its [decision] [recommendation] [by consensus] [by [...] majority of the members of the [Compliance [. . .]] [branch1][branch 2] [panel] present and voting] [by double majority of the members from Annex I Parties and the members from non-Annex I Parties] [according to the rules of the COP/MOP].

2. *Participation of Parties*

The Party concerned shall be entitled to [nominate a] [designate one or more] person [s] to represent it during the consideration of its case by the [Compliance [. . .]] [branch 1] [branch 2] [panel], [and shall have the right through its representative to call, require the attendance of, and question witnesses.] The Party concerned shall [be given the opportunity] [be entitled] to comment on [any information used by the [Compliance [. . .]] [branch 1] [branch 2] [panel] as a basis for its deliberation and on] the draft conclusions and recommendations of the [Compliance [. . .]] [branch 1] [branch 2] [panel] but shall not take part in the drafting and adoption of its [decision] [recommendation] on that matter.]

3. *Avoidance of conflict of interest*

No member of the [Compliance [. . .]] [branch 1] [branch 2] [panel] who is a national of a Party that is involved in a matter before the Compliance [. . .] shall take part in the [consideration,] drafting and adoption of any decision [on that matter] [in which they have a direct or indirect interest].

4. *Sources of information*

(a) The Compliance [. . .] shall base its deliberations on:

(i) Reports by expert review teams under Article 8 of the Protocol;

(ii) Information provided by the Party or Parties concerned;

[(iii) Relevant reports of the COP/MOP and its subsidiary bodies.]

[(b) The Compliance [. . .] may [seek] [receive] additional information from:

(i) Other experts and organizations [qualified in matters covered by the Protocol][, as appropriate]; and

(ii) Any other source that it considers to be appropriate.]

[(c) All information received by the Compliance [. . .] with regard to a specific question [and its origins,] shall be available to the Party concerned;]

[(d) The Compliance [. . .] shall ensure the confidentiality of any information that it has received in confidence.]

5. [The COP/MOP shall develop] [This decision shall set] detailed rules for the operation of the [Compliance [. . .]] [branch 1] [branch 2] [panel], including additional rules relating to other procedural matters, as well as proceedings for appeal set out in paragraph ....

Appeal

Option 1

1. An appeal procedure shall be available for [all] decisions [involving outcomes or consequences of [a mandatory] [enforcement] nature [relating to non-compliance with Article 3.1]].

2. The appeal procedure shall be carried out by [a [standing] [ad hoc] appellate body] [the COP/MOP]. [The COP/MOP may agree by consensus to override a decision on appeal.] [The Party whose compliance or non-compliance is under consideration may not participate in any decision on appeal directly concerning that Party.]

Option 2

There should be no procedure for appeal.

COP/MOP

1. The Compliance [. . .] shall report on all its activities to each ordinary session of the COP/MOP.

2. The COP/MOP shall consider reports [and conclusions] of the Compliance [...], [including any issues regarding implementation [as well as trends of problems] that may have implications for the work of the subsidiary bodies];

3. The COP/MOP [shall] [may] [take note of] [accept] [modify] [or reject] the [reports] [decisions] of the Compliance [. . .], [unless the COP/MOP decides by consensus not to do so.] [, except that a Party that is a subject of appeal may not vote on appeal.]

[4. The COP/MOP [shall] [may] provide [general policy] guidance [or background] to the Compliance [. . .] [branch 1].]

[5. The [COP/MOP] [panel established by the COP/MOP, with [equitable geographical representation][equal representation of the five United Nations regional groups]] shall determine which questions regarding implementation of Parties shall be pursued in accordance with section III, paragraph ...]

True-up period

1. A true-up period is defined as a period of [[36] months following the end of the commitment period] [[one] month after the publication of the final report of the expert review of the inventory of the last Party to be reviewed for the last year of the commitment period] [other].

2. During the true-up period, in order to fulfil its commitments under Article 3.1, any Party may:

[(a) Continue to acquire [and transfer] ERUs, CERs and AAUs under Articles 6, [12] and 17 from the preceeding commitment period (provided it has not been found ineligible to participate in any mechanism under those Articles)];

[(b) Make a voluntary payment into a climate change fund(s)].

Section IV. Outcomes and consequences [of non-compliance or potential non-compliance, taking into account the implications of Article 18]

1. The [Compliance [...]] [branch 1] [panel] may, depending upon the particular case before it, [decide] [make recommendations] upon one or more of the following [outcomes and] [facilitative] consequences, including:

(a) Provision [of] [for] advice and [facilitating] assistance to individual Parties regarding implementation of the Protocol;

[(b) Facilitation of financial and technical assistance, including technology transfer and capacity-building, to [non-Annex I] Parties;]

[(c) Making recommendations];

(d) Publication of [non-compliance] [or potential non-compliance;]

[(e) Issuing of cautions;]

[(f) [After exhausting all the facilitative outcomes,] initiation of the enforcement procedure set out in attachment II]

[2. [Mandatory] [enforcement] [consequences] shall not be applied to non-Annex I Parties.]

[3. The [Compliance [. . .]] [branch 2] [panel] shall apply adjustments, where necessary.]

4. The [Compliance [. . .]] [branch 2] [panel], in the case where it has determined that [a Party] [an Annex I Party] has failed to meet certain eligibility requirements relating to the mechanisms under Articles 6 [, 12] and 17, shall [make a recommendation regarding] [suspend] the [Annex I] Party's eligibility for the mechanisms in question, in accordance with the provisions in or under Articles 6 [, 12] [and] [or] Article 17, as applicable.

Or

If an [Annex I] Party is found by the [Compliance [. . .]] [branch 2] [panel] to be in breach of any of the eligibility requirements under Articles 6 [, 12] [and] [or] 17, [that Party] [and other members of that Party's Article 4 arrangement] may not [, for the mechanisms in question]:

(a) [Transfer or] acquire parts of assigned amount; [or]

(b) [Transfer or] acquire emission reduction units; [and][or]

(c) Acquire certified emission reductions;

in accordance with the provisions of Article 3, until the [Compliance [. . .]] [branch 2] [panel] is satisfied that the Party is in full compliance with the relevant requirements.

5. If the [Compliance [. . .]] [branch 2] [panel] determines that a Party, following the true-up period, has not complied with [Article 3] [Article 3.1] [Article 4.1] of the Protocol, it shall [apply] [impose] [request the Party to choose] [one of] the following consequences [, or a combination thereof] [,taking into account the cause, type, degree and frequency of such non-compliance] [unless the Party can demonstrate to the satisfaction of the [Compliance [. . .]] [branch 2] [panel] that the cause, type, degree or frequency of its non-compliance makes it inappropriate to do so]:

[(a) Publication of non-compliance

The [Compliance [. . .]] [branch 2] [panel] shall notify all Parties to the Protocol of the details of the Party's non-compliance; and publish its determination, including the reasons for it [as well as the summary of reasons presented by Parties] on the UNFCCC web site.] [The publication shall contain any explanatory notes provided by the Party concerned.]

[(b) Recommendation of policies and measures

Recommend policies and measures [, taking into account Article 2.3 of the Protocol] [with the aim..].]

[(c) Restoration of excess tonnes

Option 1

Determine that [1.3] [1.x] [x] [times] the [number of] excess tonnes shall be deducted from the Party's assigned amount for the commitment period following the period for which the non-compliance with Article 3.1 occurred.

Option 2

Purchase units of assigned amount originating in the first commitment period and apply them towards meeting their Article 3.1 commitments [at a penalty rate of 1.x]; or

Purchase units of assigned amount originating in the second commitment period and apply them to meeting their Article 3.1 commitments [at a penalty rate of 1.y]; or

Purchase a combination of units of assigned amount originating in both the first and second commitment periods and apply them toward meeting their Article 3.1 commitments [at their respective penalty rates, as set out above].]

[(d) Compliance action plan

Option 1

The Party in question shall, in order to restore [1.x] [times] the excess emissions, within [three] months of the determination of the [Compliance [. . .]] [branch 2] [panel], develop and commit itself to a compliance action plan [, taking into account Article 2.3 of the Protocol,] approved by the [Compliance [. . .]] [branch 2] [panel], which shall include, *inter alia*:

(i) An analysis of the reasons for the Party's non-compliance;

(ii) Policies and measures that the Party intends to implement and an analysis of their expected impact on the Party's greenhouse gas emissions;

(iii) A quantified assessment of the use of each of the mechanisms under Articles 6, [12] and 17, and Article 4 during the commitment period in which the plan is implemented;

(iv) A declaration not to make transfers under Article 3, paragraph 11, for the duration of the implementation of the compliance action plan;

(v) Detailed information on the economic dimension of the implementation of any action under (ii) or (iii) above;

(vi) A timetable for implementing the measures within a time-frame not exceeding [three] years, including clear benchmarks for measuring annual progress in the implementation;

(vii) An assessment of the compatibility of the compliance action plan with the strategy developed by the Party to comply with its obligations during the commitment period in which the compliance action plan is implemented.

Measures implemented under the compliance action plan shall not contribute to any Party's compliance with its quantified emission limitation or reduction commitments during the commitment period in which the compliance action plan is implemented.

The Party concerned shall submit a progress report on the implementation of the compliance action plan to the [Compliance [. . .]] [branch 2] [panel] annually no later than 15 April. On the basis of the progress report, the [Compliance [. . .]] [branch 2] [panel] may decide on further recommendations, measures or consequences, as appropriate.

Option 2

The Party in question shall, [within a specific time period] after the determination of non-compliance, submit to the [Compliance [. . .]] [branch 2] [panel] a compliance action plan setting forth one or more means by which it intends to restore the tonnes in question.

The means may include, for example, use of one or more mechanisms under Articles 6 [, 12] and 17, particular measures, and non-allocation of tonnes under a domestic cap-and-trading system [, and use of a voluntary compliance fund].

The Party concerned shall submit a progress report on the implementation of the compliance action plan to the [Compliance [. . .]] [branch 2] [panel] annually no later than [..]. On the basis of the progress report, the [Compliance [. . .]] [branch 2] [shall] [may] determine whether the requisite tonnes have been restored.

In the case where [Compliance [. . .]] [branch 2] [panel] determines [within a specific time-frame,] that some or all of the requisite tonnes have not been restored, it shall deduct the remaining tonnes from the Party's assigned amount for the commitment period following the period for which the non-compliance with Article 3.1 occurred.]

[(e) *Restrictions on the use of the mechanisms*

Option 1

Loss of access to the mechanisms under Articles 6 [, 12] and 17

The Party may not make any transfer or acquisition under Article 3 above a level and for a period of time to be determined by the [Compliance [. . .]] [branch 2] [panel].

Option 2

Loss of eligibility to transfer parts of assigned amounts

Until the Party has demonstrated to the [Compliance [. . .]] [branch 2] [panel] that it will have a surplus of assigned amount in the subsequent commitment period, its eligibility to transfer parts of assigned amount under Article 17 shall be suspended.]

[(f) *Compliance fund*

[A compliance fund is hereby established.]

[Each] [Every] [The] Party [shall] [may] make payments into the compliance fund at a rate that equals [...] per excess tonne of carbon equivalent multiplied by a factor of [1.x][x].

The compliance fund shall be administered [nationally] [or] [internationally].

The fund shall disburse its income and any interest it earns to reduce anthropogenic emissions of greenhouse gases. The emissions reductions achieved shall not contribute to any Party's compliance with its quantified emission limitation or reduction commitments.]

[(g) *Financial penalty]*

[(h) *Suspension of rights and privileges*]

[(i) *Application of Article 4.5 and 4.6*

[If one or more Parties operating under Article 4 are found not to be in compliance with Articles 5 and 7, each Party to an agreement under Article 4 shall be responsible for its own level of emissions set out in the agreement.

In accordance with Article 4.6 of the Protocol, any non-compliance consequences under this paragraph shall apply to both the regional economic integration organization and any Party that has exceeded its level of emissions as notified in accordance with Article 4.

If one or more Parties operating under Article 4 have been found to have exceeded their respective levels of emissions, the Parties operating under such agreement shall not be able to operate under an Article 4 agreement with respect to the commitment period following the period for which the non-compliance with Article 3.1 occurred; and Annex B commitments shall apply.

If one or more Parties operating under Article 4 have been found to have exceeded their respective levels of emissions, another Party operating under that Article 4 agreement shall be able to carry over the assigned amount under Article 3.13 only to the extent that the difference between its emissions and its assigned amount under Article 3 is greater than the amount by which the non-complying Parties under Article 4 have exceeded their respective levels of emissions.]

[If one or more Parties operating under Article 4 should fail to achieve their total combined level of emission reductions set out in their Article 4 agreement, a Party operating under that agreement shall not be entitled to add units of assigned amount originating in any other Party, whether gained under the arrangement itself, any other agreement or under Articles 3.3, 3.4, 6, 12 or 17, in meeting its own level of emissions set out in the agreement.]]

[(j) *Compliance reserve]*

Section V. Other provisions

Secretariat

The secretariat shall perform the following functions:

(a) Channel information to the Compliance [...];
(b) Service the meetings of the Compliance [...];
(c) Act as the channel of communication with other Protocol bodies;
[(d) Refer questions to the Compliance [...]]

Relationship with Article 16 of the Protocol

[The multilateral consultative process under Article 16 shall provide advice and facilitate assistance [to non-Annex I Parties] with respect to issues relating to their compliance/non-compliance under the Protocol.] [other]

Relationship with Article 19 of the Protocol

The Compliance [. . .] shall operate without prejudice to Article 19 of the Protocol. [, decisions under Article 12].

[Evolution] [Modification] [Amendment]

[[Subject to Article 18], the [procedures and mechanisms relating to compliance] may be modified by consensus of the Parties to the Protocol, taking into account any amendments to the Protocol, decisions of the COP/MOP and experience gained with the working of the process. [7]]

Adoption of procedures and mechanisms relating to compliance[8]

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[7] Depending upon the legal form in which the regime is adopted.

[8] Formal steps for the adoption of any procedures and mechanisms relating to compliance would need to be decided.

[Attachment I

**PROCEDURAL ARRANGEMENTS RELATING TO
[FACILITATION] [BRANCH 1]**

Option 1

Process

1. The [Compliance [. . .]] [branch 1] [panel] shall review and consider questions submitted to it with a view to securing an amicable resolution of the matter. It shall decide, based upon the particular question, Party and circumstances, how best to address the question.

2. The Party concerned may participate in the consideration of the question; it may not take part in the elaboration of the conclusions.

Sources of information

3. The [Compliance [. . .]] [branch 1] [panel] may request information from relevant sources and seek advice from experts. Intergovernmental and non governmental organizations with relevant factual and technical information may submit such information to the [Compliance [...]] [branch 1] [panel]. The [Compliance [. . .]] [branch 1] [panel] shall make information received available to the Party concerned.

Resolution of questions

4. The [Compliance [. . .]] [branch 1] [panel] shall decide whether [to apply one or more outcomes specified in section IV, paragraph 1] [to provide for advice and facilitate assistance].

5. The [Compliance [. . .]] [branch 1] [panel] shall forthwith notify the Party concerned of its conclusions and any outcomes, [and make it available to all the other Parties and to the public].

Option 2

The multilateral consultative process referred to in Article 16 may be designated to address questions of implementation of the Protocol [of non-Annex I Parties].

(For the text of the multilateral consultative process, see annex below)

[Attachment II

PROCEDURAL ARRANGEMENTS RELATING TO [ENFORCEMENT] [BRANCH 2]

Notification

1. After the preliminary examination, the [branch 2][panel] shall notify the Party and, in the event of a decision to proceed, include a statement identifying the questions of implementation that will be assessed.

Participation of parties and conflict of interest

See paragraphs 2 and *3 under heading "Proceedings of the Compliance [. . .]" of section III.*

Written submission

2. Within [a period of time] after the issuance of the notification of questions to be assessed, the Party concerned may make a written submission to the [branch 2][panel] in which that Party presents its views.

Sources of information

3. The [branch 2] [panel] may request information from any source it deems relevant. [Other Parties, non-governmental organizations, and others may provide relevant information to the [branch 2] [panel]].

4. The [branch 2] [panel] shall take into account the relevant reports of Article 8 and any information provided by the Party concerned. The [branch 2] [panel] may take into account information from other sources it considers appropriate.

5. Any information received by the [branch 2] [panel] shall be made available to the Party concerned and, subject to any rules relating to confidentiality, to the public. The Party concerned shall be afforded the opportunity to comment in writing on this information, including any rebuttals of such information.

(Issues relating to confidentiality shall be dealt with in the rules of procedure)

6. Information to be considered by the [branch 2] [panel] shall be provided in sufficient time before the preliminary finding, to enable the Party to have a reasonable opportunity to comment.

Hearing

7. If so requested in writing by the Party concerned, the [branch 2] [panel] shall hold a hearing at which the Party concerned shall have the opportunity to present its views. The Party concerned may present expert testimony at the hearing.

8. The [branch 2] [panel] may put questions to the Party concerned either in the course of such a hearing or at any time in writing.

Preliminary finding

9. Within [...] weeks from receipt of Party's written submission, or within [...] weeks from the date of the hearing if it has been held, or within [...] weeks from the issuance of the notification if the Party has not provided a written submission, whichever is the latest, the [branch 2][panel] shall:

[(a) Decide that the Party has fulfilled the relevant commitments in and under the Protocol and make that decision available to all the other Parties and to the public; or

(b) Make a preliminary finding that the Party is in breach of one or more of its commitments.]

Or

[(a) Issue a preliminary finding; or

(b) Make a final decision

The preliminary finding or the final decision shall contain the conclusions, and reasons therefore, given by the [branch 2][panel]].

It shall forthwith notify the Party concerned of its decision or preliminary finding.

Final decision

10. Within [...] weeks from the date of issuance of a preliminary finding, the Party concerned may provide a further written submission. If that Party does not submit comments within that period of time, the [branch 2][panel] shall issue a final decision confirming its preliminary finding.

11. If that Party submits comments, the [branch 2] [panel] shall, within [...] weeks from the date on which it received the comments, consider them and

[decide :

(a) That the Party has fulfilled the relevant commitments in and under the Protocol; or

(b) That the preliminary finding is confirmed, in whole or in part.]

Or

[Make a final decision.]

It shall forthwith notify the Party concerned of its final decision and make it available to all the other Parties and to the public.

12. In a case where the [branch 2][panel] has determined that a Party, following the true-up period, is not in compliance with Article 3.1, it shall [impose one or more of the consequences set out in section IV, paragraph ...][apply the outcome specified in section IV, paragraph ...]. In addition, the [branch] [panel] may [apply one or more of the consequences set out in section IV, paragraph 1][decide to forward the case to the facilitative branch for further consideration].

Quorum and voting rule

13. The adoption of a preliminary finding or a final decision of the [branch 2] [panel] requires a quorum of [...].

14. The [branch 2] [panel] shall make every effort to reach preliminary findings and final decisions by consensus. If all efforts at consensus have been exhausted and no agreement reached, the preliminary finding or decision shall as a last resort be adopted by a majority of at least [three fourths] of the members of the [branch 2][panel] present and voting.

Rules of procedure

15. The COP/MOP may [prepare and] adopt rules of procedure, consistent with the procedure above, for the operation of the Compliance [...].

(The expedited procedure with respect to questions under Articles 6,12 and 17 is to be included in this procedure.)]

[Attachment III

EXPEDITED PROCEDURE WITH RESPECT TO QUESTIONS UNDER ARTICLES 6, 12 AND 17

Option 1

1. The expedited procedure with respect to questions under Articles 6 [, 12] and 17 shall be dealt with by branch 2.

2. When considering and deciding upon cases relating to eligibility requirements for the mechanisms under Articles 6 [, 12] and 17, [branch 2] shall conduct its proceedings in an expedited manner,[9] while respecting due process. Specific time-frames for such proceedings shall be [decided by the COP/MOP].

3. [Branch 2], in the case where it has determined that a Party does not meet the eligibility requirements for one or more of the mechanisms set forth in or under Articles 6 [, 12] and 17, shall apply the outcome set out in section IV, paragraph....

[4. [Branch 2], after determination of non-compliance with the eligibility requirements for one or more of the mechanisms set forth in or under Articles 6 [, 12] and 17, may decide to forward the case to [branch 1] to assist the Party in question in meeting the relevant eligibility requirements.]

[5. [Branch 2] shall reinstate a Party's eligibility upon its determination, either at the request of the Party in question or at the request of [branch 1] where a case has been forwarded to it by [branch 1], that the Party meets the relevant eligibility requirements.]

Option 2

1. Prior to the start of the first commitment period, the Compliance [...] shall, within eight weeks of the date of completion of a review under Article 8, and based on the information submitted by the expert review teams, eligibility criteria established under..., and any other relevant information:

(a) Decide that the Party has fulfilled the eligibility criteria set out in ...; or

(b) Make a preliminary finding that the Party does not fulfil one or more of the criteria.

It shall forthwith inform the Party of its decision or preliminary finding and make it available to all the other Parties.

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[9] The exercise of the expedited procedure might modify certain provisions with respect, for example, to certain time-frames, written submissions, hearings, means of communication and appeals contained in attachment II.

2. During the first commitment period, the Compliance [...] shall, based on the information submitted by the expert review teams, review any other relevant information, make decisions on the continuing observance of eligibility criteria established under ... for transfers and acquisitions under the provisions of Article 3.

3. The Compliance [...] shall:

(a) Within six weeks of the date on which the submission of the annual greenhouse gas inventory and the annual greenhouse gas inventory report of a Party becomes due, or on which the secretariat registers receipt of such a submission, whichever shall be the earlier, or

(b) Within six weeks of being notified in writing by an expert review team of a problem under paragraph ...

decide that the Party has fulfilled the eligibility criteria or make a preliminary finding that the Party is in breach of one or more of the criteria. It shall forthwith inform the Party of its decision or preliminary finding and make it available to all the other Parties.

4. If a Party in respect of which a preliminary finding has been made does not submit comments on the finding in writing to the Compliance [...] within four weeks of the date on which it was informed of it, the Compliance [...] shall forthwith confirm its preliminary finding and impose consequences in accordance with section IV, paragraph ...

5. If a Party in respect of which a preliminary finding has been made submits comments on the finding in writing to the Compliance [...] within four weeks of the date on which it was informed of it, the Compliance [...] shall, within four weeks of the date on which it received the comments, consider them and any representations made in due time by any other Party and:

(a) Decide that the Party has fulfilled the eligibility criteria for each of the mechanisms in question; or

(b) Confirm, in whole or in part, its preliminary finding and apply outcomes in accordance with paragraph ...

It shall forthwith inform the Party of its decision or preliminary finding and make it available to all the other Parties.

Option 3

General

1. The Compliance [...] [branch of the Compliance [...]] shall consider questions with respect to the mechanisms under Articles 6 [, 12] and 17, and for this purpose shall elect a chairperson and a vice-chairperson. In addition, it shall determine the order by which a chairperson is to be chosen in the event of both the chairperson and the vice-chairperson not being available.

2. The [COP/MOP] [Compliance [...]] [branch of the Compliance [...]] shall agree upon a list of experts from which substitute members may be drawn when some of the members of the [Compliance [...]] [branch of the Compliance [...]] are not available during the period of time to consider a question relating to the mechanisms under Articles 6 [, 12] and 17. The experts in the list shall be divided into two groups; those from Annex I Parties and those from non-Annex I Parties. For each group, the [COP/MOP] [Compliance [...]] [branch of the Compliance [...]] shall agree upon an order in which experts are drawn when needed.

3. All the communications in the expedited procedure shall be in English. As far as possible they should be in electronic form, or by fax.

Process and schedule

4. The expedited process shall be completed within eight weeks. The approximate time allocated for each step shall be as follows:

(a) Screening: one week;

(b) Selection of members to consider the question: one week;

(c) Initial comments by Parties: one week;

(d) E-mail discussion: two weeks;

(e) Drafting of the conclusion with reasons by the chairperson: one week;

(f) Opportunity to make objections to the [Compliance [...]] [branch of the Compliance [...]] in respect of its conclusion: one week;

(g) Preparation for the [meeting] [discussion] [hearing]: one week. The [meeting] [discussion] [hearing] shall be scheduled after receipt of comments, if the initial communications had failed to reach a conclusion.

Information to Parties

5. The Party in question shall be informed of every step in the process.

6. The Party shall have every opportunity to provide its views, and/or additional information, during the period of initial comments.

Conclusion

7. The [Compliance [...]] [branch of the Compliance [...]] shall make every effort to reach agreement by consensus. If all efforts at consensus have been exhausted, and no agreement

reached, the decision shall, as a last resort, be adopted by a vote [by a double majority of the members of Annex I Parties and the members of non-Annex I Parties].

8. The chairperson shall send decisions, with reasons, to the Parties through the secretariat.

Appeal

9. The Party concerned may appeal the decision of the [Compliance [...]] [branch of the Compliance [...]] in accordance with the procedure set out in section III, paragraph....

Option 4

1. The eligibility panel shall deal, in an expedited manner, with all questions relating to compliance of Annex I Parties with questions specific to mechanisms under Articles 6 [,12] and 17. Disputes between the executive board (or other body established for the purposes of the other mechanisms) and a Party relating to the allocation of certified emission reductions shall be referred to the eligibility panel.

2. The eligibility panel shall determine appropriate provisional measures to safeguard the functioning of the mechanisms under Articles 6 [, 12] and 17.

3. The eligibility panel shall determine the most suitable consequence or outcome to deal with a particular case.]

Annex

MULTILATERAL CONSULTATIVE PROCESS[10]

TERMS OF REFERENCE

Establishment

1. Pursuant to Article 13 of the United Nations Framework Convention on Climate Change, the Conference of the Parties hereby establishes a multilateral consultative process ("the process") in the form of a set of procedures to be served by a standing Multilateral Consultative Committee ("the Committee").

Objective

2. The objective of the process is to resolve questions regarding the implementation of the Convention, by:

(a) Providing advice on assistance to Parties to overcome difficulties encountered in their implementation of the Convention;

(b) Promoting understanding of the Convention;

(c) Preventing disputes from arising.

Nature

3. The process shall be conducted in a facilitative, cooperative, non-confrontational, transparent and timely manner, and be non-judicial. Parties concerned shall be entitled to participate fully in the process.

4. The process shall be separate from, and without prejudice to, the provisions of Article 14 of the Convention (Settlement of Disputes).

How issues would be taken up

5. Questions regarding the implementation of the Convention may be raised, with supporting information, by:

(a) A Party with respect to its own implementation;

(b) A group of Parties with respect to their own implementation;

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[10] FCCC/CP/1998/16/Add.1.

(c) A Party or a group of Parties with respect to the implementation by another Party or group of Parties;

(d) The Conference of the Parties.

Mandate of the Committee

6. The Committee shall, upon a request received in accordance with paragraph 5, consider questions regarding the implementation of the Convention in consultation with the Party or Parties concerned and, in light of the nature of the question, provide the appropriate assistance in relation to difficulties encountered in the course of implementation, by:

(a) Clarifying and resolving questions;

(b) Providing advice and recommendations on the procurement of technical and financial resources for the resolution of these difficulties;

(c) Providing advice on the compilation and communication of information.

7. The Committee shall not duplicate activities performed by other Convention bodies.

Constitution

8. The Committee shall consist of [10] [15] [25] members. It shall be composed of persons nominated by Parties who are experts in relevant fields, such as those of science, socio-economics and the environment. The Committee may draw upon such outside expertise as it deems necessary.

9. [The members of the Committee shall be designated by the Conference of the Parties for three years, based on equitable geographical distribution[11] and the principle of rotation [with one half to be designated by Annex I-Parties and one half to be designated by non-Annex I Parties][12]. Outgoing members may be re-appointed for one immediate consecutive term. The Chairmen of the subsidiary bodies of the Convention may participate in the meetings of the Committee as observers.]

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[11] The G77 and China stated that they uphold the principle of "equitable geographical distribution" which is a well-established practice within the United Nations and strongly objected to the placement of the phrase "equitable geographical distribution" in square brackets by some Parties.

[12] Some Parties stated that the phrase "equitable geographical distribution" was not acceptable and that the following language should be inserted after the word "rotation": with one half to be designated by Annex I Parties and one half to be designated by non-Annex I Parties. These Parties also noted their view that "equitable geographical distribution" was not a well-established practice and was not applicable in this context.

Deliberations

10. The Committee shall meet at least once a year. Meetings of the Committee shall, whenever practicable, take place in conjunction with sessions of the Conference of the Parties or its subsidiary bodies.

11. The Committee shall report to each ordinary session of the Conference of the Parties on all aspects of its work, with a view to the Conference of the Parties taking whatever decisions it considers necessary.

Outcome

12. The conclusions and any recommendations of the Committee shall be sent to the Party or Parties concerned for its, or their, consideration. Such conclusions and recommendations shall be consistent with the mandate as described in paragraph 6 above. They may include:

(a) Recommendations regarding co-operation between the Party or Parties concerned and other Parties to further the objective of the Convention; and

(b) Measures that the Committee deems suitable to be taken by the Party or Parties concerned for the effective implementation of the Convention.

13. The Party or Parties concerned shall be given the opportunity to comment on the conclusions and recommendations. The Committee shall, in addition, forward its conclusions and recommendations and any written comments of the Party or Parties concerned to the Conference of the Parties in due time before its ordinary sessions.

Evolution

14. These terms of reference may be amended by the Conference of the Parties to take account of any amendment to the Convention, decisions of the Conference of the Parties or experience gained with the working of the process.

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